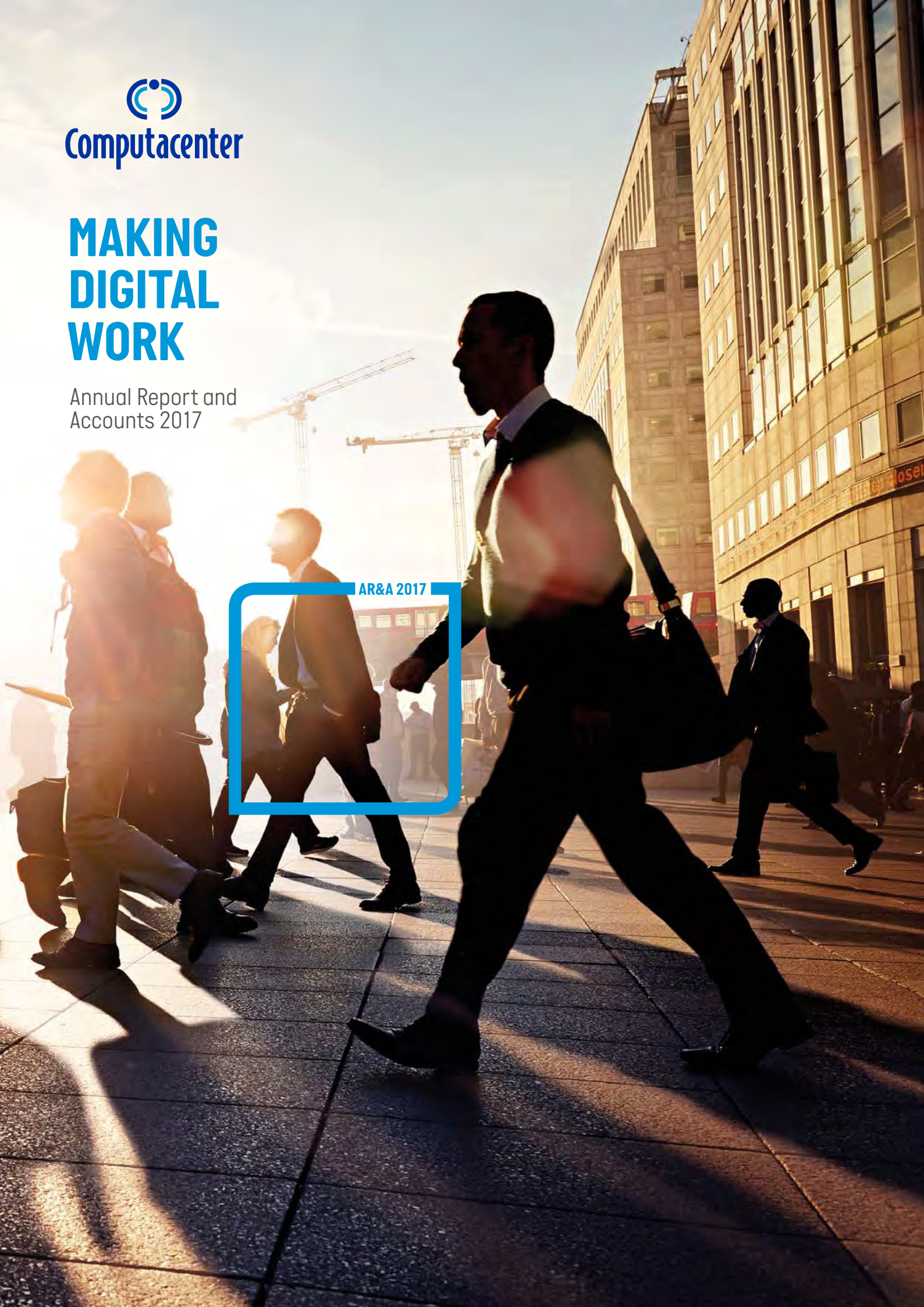




MAKING DIGITAL WORK

Annual Report and
Accounts 2017

AR&A 2017



Our coverage

We have developed our global coverage to mirror our customers’ service requirements. As a result, we supply customers in more than 100 countries and support customers in more than 70 countries.



Germany



United Kingdom



United States of America



Mexico



Spain



France



Belgium



Switzerland

Global Coverage

Customer Experience Center

Cyber Defence Center

Global Recovery Center

Global Solutions Center

Our customer offer

Computacenter has an integrated offer which provides three complementary entry points for our customers, giving us a balanced business portfolio and helping us to achieve long-term growth.



Consult & Change

We deliver a set of proven and predictable solutions to optimise our customers’ technology. This enables them to change effectively and achieve their business goals.

Revenue characteristics

Our revenue depends on our forward order book, which contains a multitude of short, medium and long-term projects.

Professional Services revenue (£m)

319.2

+16.4%

17	319.2
16	274.2
15	262.8
14	259.7
13	242.1



Source & Deploy

We determine our customers’ technology requirements and provide appropriate products and commercials to meet them, with complete service and support throughout the product lifecycle.

Revenue characteristics

We earn revenue from large contracts, with thinner margins and lower visibility.

Supply Chain revenue (£m)

2,636.2

+19.4%

17	2,636.2
16	2,207.5
15	2,067.1
14	2,122.3
13	2,106.2



Manage & Transform

We maintain, support, transform and manage our customers’ IT infrastructure and operations, improving the quality and flexibility of service and reducing costs.

Revenue characteristics

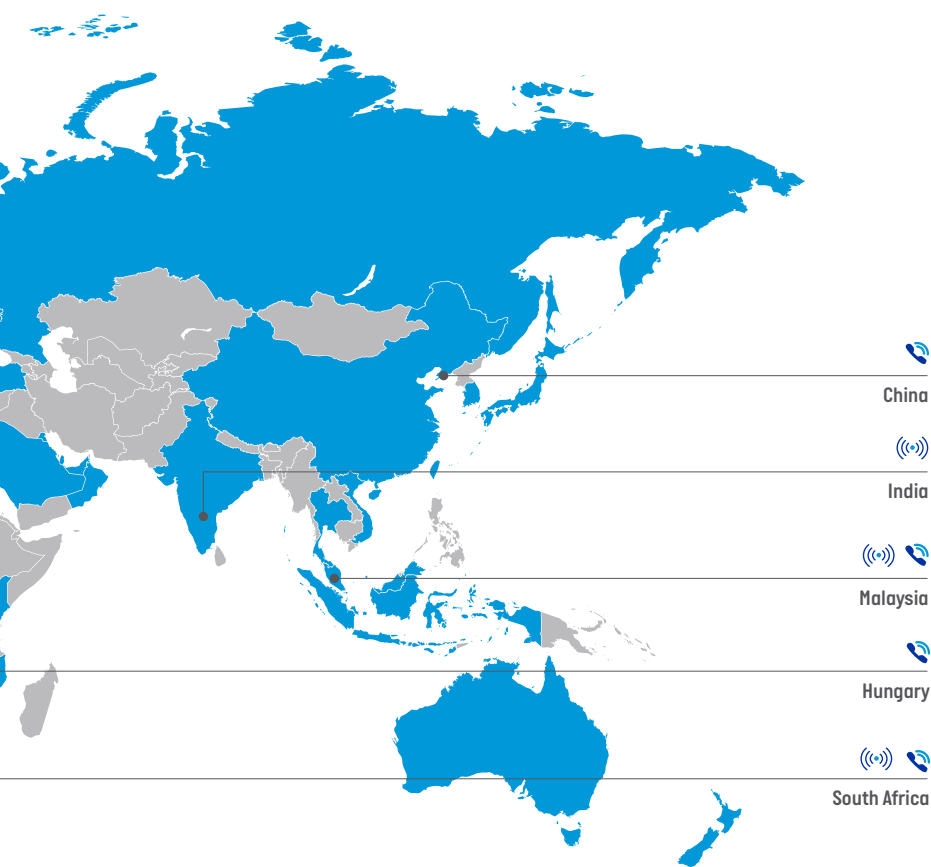
Our revenue under contract has high visibility and is long term and stable.

Managed Services revenue (£m)

838.0

+9.7%

17	838.0
16	763.7
15	727.7
14	725.8
13	723.8



Our differentiation

We have five key characteristics, which make us stand out in our markets.

1. **We are the friend of the Chief Information Officer (CIO)** and help them to enable their users and businesses
2. **We have absolute focus on our end users** and know how to deliver what they want, in the way they want it
3. **We have a culture of customer intimacy**, building long-term relationships that our customers value
4. **We offer end-to-end solutions across technologies**, providing the solutions our customers need for an efficient and agile IT infrastructure and an excellent user experience
5. **We partner along the service lifecycle**, supporting our customers' long-term transformation with a full-service portfolio

Together, these competitive advantages mean we are our customers' preferred partner for Making Digital Work.

Infrastructure Operations
 Service Desk
 Supply Chain
 Datacenter

Our portfolio

	END USER	DATA & ANALYTICS	CLOUD & DATACENTER	NETWORKING	SECURITY
Source & Deploy Supply Chain Services	Next Generation Service Desk End User Analytics Client Computing	Enterprise Applications Analytics & Big Data Service Management Platforms	Server & Storage Converged & Hyperconverged Infrastructures Software Defined Infrastructures	Wireless Networks Local Area Networks Software Defined Networks	End Point Security Infrastructure Security Industrial Security
Consult & Change Strategy & Advisory Services Design & Build Services Integration & Migration Services	Enterprise Mobility Communication & Collaboration Content Management	Data Management Platforms	DevOps Technologies Hybrid Cloud	Datacenter Networks Production Networks	Cyber Security Information Security Management Identity & Access Management
Manage & Transform Support & Maintenance Services Managed Services					

2017 highlights

Revenue (£m)

3,793.4

+16.9%

17	3,793.4
16	3,245.4
15	3,057.6
14	3,107.8
13	3,072.1

Dividend per share (pence)

26.1

+17.6%

17	26.1
16	22.2
15	21.4
14	19.0
13	17.5

Statutory profit before tax (£m)

111.7

+28.2%

17	111.7
16	87.1
15	126.8
14	76.4
13	50.5

Adjusted¹ profit before tax (£m)

106.2

+22.9%

17	106.2
16	86.4
15	87.2
14	85.9
13	81.7

Statutory diluted earnings per share (pence)

66.5

+27.2%

17	66.5
16	52.3
15	82.1
14	40.0
13	23.0

Adjusted¹ diluted earnings per share (pence)

65.1

+20.6%

17	65.1
16	54.0
15	53.6
14	46.8
13	43.3

A reconciliation between key adjusted¹ and statutory measures is provided on page 49 of the Group Finance Director's review. Further details are provided in note 4 to the Consolidated Financial Statements, Segment Information.

1 Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, gain or loss on disposal of investment properties, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale. A reconciliation between key adjusted and statutory measures is provided on page 49 of the Group Finance Director's review. Further detail is provided within note 4 to the Consolidated Financial Statements.

2 We evaluate the long-term performance and trends within our strategic objectives on a constant currency basis. Further, the performance of the Group and its overseas Segments are shown, where indicated, in constant currency. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information gives valuable supplemental detail regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-year local currency financial results using the current year average exchange rates and comparing these recalculated amounts to our current year results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas Segments, are presented in constant currency, or equivalent local currency amounts, the equivalent prior-year measure is also presented in the reported pound sterling equivalent using the exchange rates prevailing at the time. 2017 highlights, as shown above, and statutory measures, are provided in the reported pound sterling equivalent.

3 Net funds includes cash and cash equivalents, CSF, other short or other long-term borrowings and current asset investments.

Who we are

Computacenter is a leading independent provider of IT infrastructure services.

Our ambition

To be the preferred IT provider, to enable users and their business in a digital world.

Our mission

Computacenter's mission is to maximise user productivity and the business value of IT, for enterprise and corporate organisations. In doing so, we deliver strong returns for our shareholders and enrich our employees' careers.

Making digital work

For Computacenter, Making Digital Work has two meanings. First, it means we leverage innovation such as the cloud and analytics, for our customers' benefit. Second, we make sure new technology works with our customers' existing IT and that users actually adopt the change.

We make digital work across our customer base and our global footprint:

- For the CIO: We change, supply and manage our customers' IT infrastructure, to help save cost and free-up budgets for their digital transformation agenda
- For the users: We improve the experience of IT users and make them more productive by taking a user-centric approach
- For the business: We empower and protect our customers' IT, so they can secure and accelerate their business

Strategic Report

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Chairman's statement

Managed for the long term



Greg Lock
Chairman

The annual Group Sales Kick Off event brings together Computacenter's combined European sales force, to celebrate the successes of the previous year and look ahead to the challenges of the coming year.

At the event in Lyon on 3 February 2018, Greg Lock, Chairman of Computacenter for the last 10 years, was presented with his sales recognition jacket. The jackets are presented to people who have made significant contributions to sales over the course of their career.

The Chairman received his jacket from the sales force in recognition of Computacenter exceeding £100 million in adjusted¹ profit before tax for the first time.

We are delighted with our performance in 2017, which was a record year for our Company. Our revenue grew by £548 million and by £408 million in constant currency². By any measure, this growth of 16.9 per cent, 12.0 per cent in constant currency², is significant. All of our key business units performed well and, despite fierce competition, we believe we have grown our market share across most of our Segments in 2017. The UK grew 8.8 per cent, France 13.0 per cent in constant currency² and Germany 15.5 per cent in constant currency². This spectacular growth in sales led to a 28.2 per cent increase in statutory profit before tax, to £111.7 million and a 22.9 per cent increase in adjusted¹ profit before tax to £106.2 million.

We have always managed our Company for the long term and these results come from consistent investment in our offerings and Services. Above all, we have invested continuously in our people, in innovating our Services and in our customer relationships. Those investments have borne fruit in 2017 and allowed us to return circa £100 million of capital to our shareholders, by way of a tender offer completed in February 2018.

This performance is still not good enough of course, and we continue our investments for the future and our efforts to improve everything we do. I thank all Computacenter employees for their hard work and winning ways which delivered these results, our customers for their business and their feedback to us, and our shareholders for their continued faith and confidence in our Company.

On we go.

Greg Lock
Chairman
13 March 2018

Governance overview

Our job, on your behalf, is to maintain effective governance practices which are fundamental to the Group's ability to deliver long-term shareholder value.

97.6%

Board and Committee attendance
Leadership – page 62

2

Away days and offshore visits
Effectiveness – page 63

Related material:
Board of Directors – page 60

COMMITTEE CHAIRMEN



From left to right:

Philip Yea

Senior Independent
Non-Executive Director and Chairman
of the Remuneration Committee

Minnow Powell

Non-Executive Director and Chairman
of the Audit Committee

Greg Lock

Non-Executive Chairman and Chairman
of the Nomination Committee

Nomination Committee at a glance

Five Committee members

What we achieved in 2017

We have successfully recruited an independent Non-Executive Director who joined the Board in February 2018.

[Find out more on pages 64 to 65](#)

Audit Committee at a glance

Four Committee members

What we achieved in 2017

Monitored Management's plan and progress in relation to three new accounting standards.

[Find out more on pages 68 to 73](#)

Remuneration Committee at a glance

Five Committee members

What we achieved in 2017

Ensured that the remuneration paid out to the Executive Directors is reflective of and underpins the performance of the Group.

[Find out more on pages 74 to 89](#)

Chief Executive's strategic review

Appetite to invest

As can be seen by our Supply Chain volume growth, and by the growth of some of our competitors, customers currently have the appetite to invest in new technology.

Whether this is to improve their competitiveness, enhance their users' experience, develop new markets, strengthen their IT security or simply refresh legacy systems, the drive to digitalisation is strong across the customer base. However, along with this thirst for new technology comes an unerring desire to reduce the cost of their ongoing IT operations. These market drivers have a very positive influence on our Supply Chain and Professional Services businesses but create a challenge for our Managed Services revenue and margin – a challenge that we need to step up to.

Computacenter has positioned itself as the chosen route to market for the Public Sector and many large enterprises throughout Western Europe. Maintaining and strengthening these relationships enables us to take advantage of the current buoyant market conditions for our Supply Chain services. In 2018, we will further develop these services with the opening of a new logistics and integration centre close to our existing facility in Kerpen, Germany. We will continue to invest in our Supply Chain systems to make sure this service remains the envy of the industry.

Accessing and retaining the right technical skills is key to our success but the labour market for technology skills has continued to tighten and we expect this to continue for the foreseeable future. While this is clearly a challenge, our low levels of attrition make this a source of competitive advantage, particularly within the areas of Networking, Security and Cloud.

The challenges we face in Managed Services, where our customers demand continual innovation to drive down cost and improve user experience, mean we have to invest to stay ahead of our competition and we must stay materially ahead of our customers' ability to innovate for themselves. We have increased our investment and commitment to enhancing our propositions in many areas but particularly in the Digital Workplace, Techbars, Service Desk, Networking, Security and Cloud. We also seek to drive automation everywhere we find it economically justifiable.

Computacenter prides itself on a stable Management team, but even the strongest team occasionally requires a refresh and consequently we significantly enhanced the team in 2017. Of particular note is the appointment of Andy Stafford as our Chief Operating Officer, responsible for our Services, development and delivery. Andy joins us after a long and successful career at various companies, particularly Accenture. Mohammed Siddiqi rejoined Computacenter after a short time away to head up Strategy and Marketing. Kevin James moved from his position of UK Managing Director to Group Chief Commercial Officer, responsible for our Vendor relations and Supply Chain business, and Neil Hall has been appointed the UK Managing Director. While Computacenter has had a successful few years, I feel confident that the team can exploit the new opportunities that the market presents.

I would like to take this opportunity to thank our customers for their trust in Computacenter, for their business in 2017 and the future. I would also like to thank our staff for their commitment to never letting our customers down and our long-term shareholders for their support.

Mike Norris
Chief Executive Officer
13 March 2018



Mike Norris
Chief Executive Officer

2017 STRATEGIC HIGHLIGHTS

Our strategy has continued to drive our business forward in 2017.

1. To lead with and grow our Services business

We grew the annual Contract Base to £756 million, which represents circa £11 million growth on 2016.

More about how we delivered against this strategic objective:
Page 18

2. To improve our Services productivity and enhance our competitiveness

We continued our global expansion of our Service Desk and Infrastructure Operations. We established a new location in Mexico, helping us to meet the needs of particular global clients.

More about how we delivered against this strategic objective:
Page 20

3. To retain and maximise the relationship with our customers over the long term

The number of Group customers who generate more than £1 million per year of gross profit, measured in constant currency², increased from 102 to 107.

More about how we delivered against this strategic objective:
Page 22

4. To innovate our Services offerings to build future growth opportunities

Digital Me, our Digital Workplace proposition and offering, is already becoming a key differentiator in contracts we have won in the UK, Germany and France.

More about how we delivered against this strategic objective:
Page 24

Related material:
[How it all fits together – page 17](#)



Our marketplace

Connecting everything up

Computacenter's customers need to make digital work, so they can deliver their products and services more effectively, attract and retain talent, and drive growth.

To ensure we continue to meet their needs in a fast-changing and increasingly complex world, we have to do two things:

1. Stay abreast of changes in the global market

This section looks at the global megatrends that are changing our markets, considers our competitive environment and explains the dynamics of the key countries we operate in.

2. Innovate and deliver our customer offer, so we succeed in the market

In this section, we describe our portfolio of complementary service offerings, our global delivery capabilities and what makes us different.

1.

Staying abreast of changes in the global market

In this section:

- The global market
- The competitive market
- Our regional markets

THE GLOBAL MARKET

Four megatrends are shaping our markets worldwide.

Megatrend 1:

The shift to digital

Description

The rate of digitalisation continues to increase for all of our customers, across every industry. This adoption of new technologies, where service is primarily provided with or through software and augmented with data insights and artificial intelligence, is changing our customers' business models and increasing complexity for them. The pace of change is also rising with, for example, the proliferation of and ever-shorter lifecycles for devices and apps. Added to this, almost every digital innovation raises security and privacy risks that need to be tackled at the same time.

What this means for Computacenter

The difficulty of navigating this environment makes our offer as a value-added-service provider increasingly attractive to customers. At the same time, we need to keep up with the pace of innovation, so our offering remains relevant to our customers.

Proof

'Why software is eating the world',
Marc Andreessen, WSJ, 20 Aug 2011

Megatrend 2:

The subscription or 'as-a-service' economy

Description

The market is moving away from customers buying hardware and software outright, with the growth in subscription models or the ability to use an asset as-a-service. This increases their ability to access, scale and adjust the

services where, when and as needed, and turns a larger, fixed and upfront cost for the customer into a smaller, variable and ongoing cost. In addition to this, customers can also benefit from, for example, ongoing services upgrades and innovation for the life of their contract.

What this means for Computacenter

This presents a risk for Computacenter, as some parts of our product business move into the public cloud, but it also gives us the opportunity to support our customers on their journey with our Professional and Managed Services capabilities.

Proof

Record as-a-service ACV growth up 48 per cent YoY in EMEA; Source: ISG Index Q3 2017, Information Services Group

Megatrend 3:

Globalisation of our markets

Description

Every aspect of our market is globalising. Customers are increasingly looking for providers who can support their businesses worldwide. This benefits providers with international reach and gives us the opportunity to follow and provide Services to our customers in different parts of the world, for example in the US. However, it is also encouraging competitors to globalise, including providers from places such as India or Eastern Europe, where people costs are lower.

What this means for Computacenter

We need to be able to meet the needs of our customers globally but also qualify and focus on those customers where we will add the greatest value.

Related material:

[Developing our long-term relationships – page 12](#)

Megatrend 4:

Shortage of talent

Description

The critical importance of technology to modern businesses means that demand for appropriately qualified people outstrips supply. This makes it more difficult for our customers to manage their IT services in-house, encouraging them to turn to providers such as us for support.

What this means for Computacenter

The shortage of people also emphasises the importance to Computacenter of having the right culture and values, combined with an attractive workplace and, most important of all, exciting work for our customers, which help us to attract and retain talent.

Proof

40 per cent of employers globally report that they are experiencing difficulty filling jobs. Source: Manpower Group's 11th annual Talent Shortage Survey.

See pages 26 to 29 for more on how we manage and develop our people.

Computacenter's response to these megatrends

Computacenter has a history of reinventing itself as its markets have changed, as the graphic below demonstrates.

1980–1995	↓
Supply Chain led	
3–4 year lifecycle	
– Configuration	
– Hardware resale	
– Rollout services	
– Maintenance	
– Break/fix Service Level Agreements	
– Onsite services	
1995–2014	↓
Managed Services led	
3–5 year contracts	
– Extensive bidding	
– Landing a large and multi-year Managed Workplace Service	
– Pull-through of Supply Chain	
– Pull-through of Professional Services	
– Cross-sell to other Managed Services	
2014+	↓
Professional Services led	
As-a-service, plug-and-play	
– Users: shorter lifecycle of devices/apps, consumerisation	
– CIO: cost pressure (still) and as-a-service demand	
– Business: IT for competitive advantage	
– Cloud-players take business and margins	

Since 2015, we have positioned Computacenter as a digital service enabler. Our business is transformation led and we consult with our customers, so we can provide them with tailored solutions to their problems.

THE COMPETITIVE MARKET

In addition to the mega trends, a number of factors are influencing the way we compete in our markets.

Market segments

We see differing dynamics in different segments of the IT market. There is increasing price pressure in parts of the market where solutions are less complex and are typically people and hardware based. Buying decisions for these services tend to be driven by customers' procurement departments. We look to counter price pressure through increased automation and 'rightshoring' – introducing services provided by the right balance of onshore, nearshore and offshore locations. Conversely, purchasing decisions for more complex, end-to-end cloud and software-based solutions are driven by our customers' CIO. Our ability to be the 'friend of the CIO' and have an attractive portfolio for their digital workplace, hybrid IT and cyber security challenges is a key competitive advantage for us.

Shifting buying centres

The traditional buying centres in our industry are our customers' IT and procurement departments. However, customers are now shifting to include decision makers representing their core business units. In addition, they are introducing new roles such as the Chief Digital Officer, to bridge the gap between traditional technology sourcing and new models which have business benefits, such as driving competitive advantage, at their core. This shift in buying centres requires us to develop new service, go-to-market and sales approaches, to ensure we address the requirements of these new decision makers with a compelling, business-oriented value proposition.

OUR REGIONAL MARKETS

We go where our clients operate.

Substitutes

Organisations that had previously bought their own networking and datacenter infrastructure are now able to substitute them for cloud-based services. This could affect demand for our Supply Chain business over the coming years. However, this complexity is also a positive for us, in our role as a value-added provider. It creates opportunities for us to provide consulting and support transformational projects, as customers require our help to migrate applications and workloads to the cloud. Transforming their IT also drives our traditional infrastructure portfolio. In addition, cloud providers need a channel to customers, which we provide.

New entrants

Indian players are increasingly offering more innovative and sophisticated services, such as cloud, analytics and automation, with which they are targeting large European customers. Several factors differentiate us from these newer entrants. These include the strength of our customer relationships and the trust they place in us, our close vendor relationships and our digital consulting skills. We are also able to advise customers on the right mix of onshore, nearshore and offshore locations, and manage that mix for them.

UK

UK economic growth is relatively robust, despite the Referendum on the UK leaving the European Union. The IT infrastructure services market has declined slightly but will return to low growth. CIOs are looking for savings in non-strategic, operational areas and also moving towards cloud services with the help of external providers. There are growth opportunities in the financial services, retail and public sectors, and in large-scale transformation programmes.

France

The French economy appears to be picking up, after the presidential election, boosted by domestic investment and consumption. The labour market is recovering only gradually and too many workers lack the necessary digital skills. Both trends are positive for IT service providers.

Germany

Germany is benefiting from strong economic growth and the market includes many multinational customers. Manufacturers are adopting 'Industrie 4.0', as they increasingly introduce technology to streamline their operations. This includes connecting robots to networks, reading data and using analytics to identify improvements, and enhancing cyber security. Germany has high standards of data protection.

US

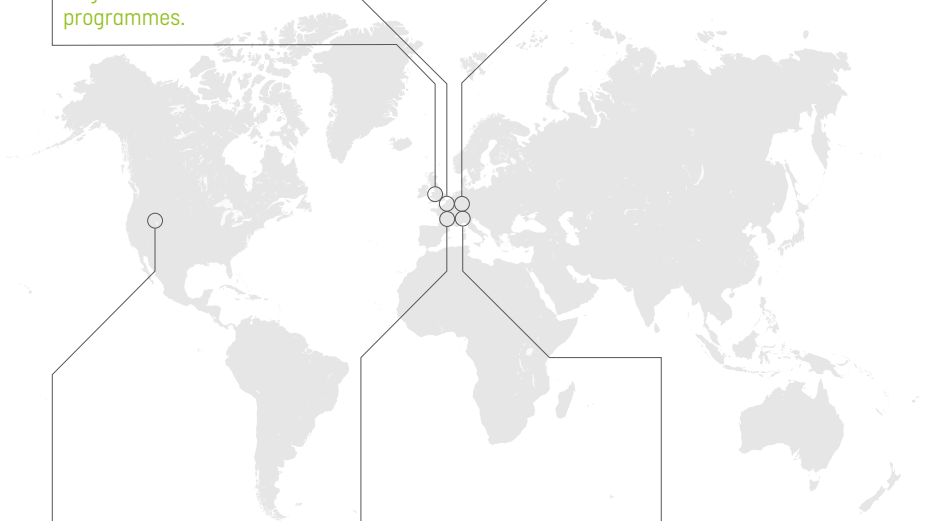
Our expansion into the US started with using a partner to service the US Managed Services footprint of our major European customers. We subsequently insourced those activities and we are now adding new US capabilities, so we can upsell to our existing customers and target new customers in the US.

Belgium

Economic growth in Belgium has been somewhat subdued but will strengthen going forward, due to private investment and international trade. Belgium's production is deeply embedded in global value chains and will benefit from global growth.

Switzerland

The Swiss economy is on a slow but steadily improving growth curve, as the economy increasingly opens to Europe and the rest of the world. The Financial sector remains key for both the market and for Computacenter in Switzerland.



2.

Innovate and deliver our customer offer, so we succeed in the market.

In this section:

- Our customer offer
- Global delivery
- Our differentiation

OUR CUSTOMER OFFER

We consolidate our portfolio of Consult & Change, Source & Deploy and Manage & Transform services into three key value propositions for our customers.



Digital Workplace

We design and build user-centric, cloud-enabled and secure digital workplaces, using a complete adoption roadmap to establish the best core digital technologies for each customer.



Hybrid Cloud/IT

We provide advisory, support and Managed Services for every aspect of our customers' cloud requirements. We work with customers to develop their cloud strategy, create and build cloud capability, and manage it to generate competitive advantage.



Cyber Security

We deliver a complete Security solution, from endpoint and infrastructure Security through to cyber defence. Our knowledge and expertise across office and industrial IT underpins our approach to holistic business security, making it an enabler rather than a blocker.



End User

- Next Generation Service Desk
- End User Analytics
- Client Computing
- Enterprise Mobility
- Communication & Collaboration
- Content Management

Data and Analytics

- Enterprise Applications
- Analytics & Big Data
- Service Management Platforms
- Data Management Platforms

Cloud and Datacenter

- Server & Storage
- Converged & Hyperconverged Infrastructures
- Software Defined Infrastructures
- DevOps Technologies
- Hybrid Cloud

Networking

- Wireless Networks
- Local Area Networks
- Software Defined Networks
- Datacenter Networks
- Production Networks

Security

- End Point Security
- Infrastructure Security
- Industrial Security
- Cyber Security
- Information Security Management
- Identity & Access Management

These offerings are underpinned by our solutions in the categories shown above. These solutions can be mixed to suit each customer. For example, we can add Security to the core Engagement and End User & Collaboration elements of Digital Me.

Consult & Change

What we do: We optimise customers' technology, enabling effective change so they can achieve their IT and business goals. We provide in-depth solutions, within or across the five technology categories. Combined with our project management and transformation skills and our customer knowledge, our holistic solutions actually work within our customers' IT environments.

How we earn revenue: Consulting engagements range from long-term transformation programmes to consulting and implementation projects. These are mostly time and material based but we see a trend towards fixed-price contracts.

Source & Deploy

What we do: We reduce cost, complexity and risk in the IT supply chain, from product selection, benchmarking and procurement to build management and deployment. Our long-term customer relationships and broad vendor coverage make us a one-stop value-added reseller.

How we earn revenue: We have a good mix of large and multi-year frame contracts, project-based sourcing and continuous procurement activities.

Manage & Transform

What we do: We maintain, support, transform and manage our customers' IT infrastructures and operations, improving quality and flexibility while reducing costs. Our Services extend from the digital and physical workplace to the datacenter, network and cloud. Our Global Infrastructure Operations and award-winning Global Service Desk enable us to support users worldwide. Dedicated transformation teams minimise disruption and ensure seamless business take-on.

How we earn revenue: We increasingly sell a defined Managed Service, with related service level agreements and either fixed or per-service pricing. Where customers want more flexibility or specific skills, we also provide support and 'body shopping'. We also offer product lifecycle and maintenance services, for example on a price per device.

GLOBAL DELIVERY

Our standard operating model ensures we deliver consistent, scalable and cost-efficient global services, while meeting specific customer needs in each country.

The delivery centres comprise our:

Global Service Desk (GSD)

Our goal is to provide a faster and smarter response to users. We deliver end-to-end user support, locally and globally, and provide a 'follow-the-sun service'. The GSD supports around 1.4 million users, using 30 languages.

Global Infrastructure Operations (GIO)

The scale of our operation means we can support users and systems anywhere in the world, 24 hours a day, seven days a week. From networking components and virtual servers to user devices, our infrastructure services improve availability and security. We have more than 1,500 technical and service management experts, in six shared services centres, working for more than 200 customers.

Global Network Operations Centre (GNOC)

Our GNOC helps optimise our customers' network availability, to enable productive end users. It is the hub of our operational delivery capability, allowing us to deliver managed Network and Security services to more than 50 customers around the globe. The GNOC employs more than 200 accredited networking engineers.

Global Engineering

We extend our engineering coverage for our customers to over 70 countries worldwide through an international partner network. Our international partners provide resources and services to extend our services under our full control and responsibility globally.

Cyber Defence Center

We identify and highlight existing or potential security breaches, hacks, malware or vulnerabilities and ensure that they are managed through to resolution. In doing so we help our customers to comply to increasingly stringent compliance standards as well as protecting users from cyber-crime and ensuring that our customers' businesses remain productive.

OUR DIFFERENTIATION

The unique value we offer our customers comes from five key characteristics.

1. We are the friend of the CIO

The CIO is the key decision maker and budget holder for our services. We therefore help CIOs to enable their users and businesses. This means addressing customer needs only through the CIO and empowering them to meet the requirements of their user base, business units or functions, to support their transformation agenda.

2. We have absolute focus on our end users

The Next Generation Service Desk (NGSD) and our Digital Me offering shows that we know what users want. Our end user focus is in our DNA and we have no distracting legacy assets, such as underused datacenters.

3. We have a culture of customer intimacy

Our sales and service managers interact almost continuously with customers, especially where we have a Managed Services contract. This contributes to close, long-term customer relationships.

4. We offer end-to-end solutions across technologies

From converged infrastructure and Cloud to user productivity and Security, we have the technological solutions and capabilities customers need for an excellent user experience. Our consultants cut across technology silos and implement solutions end-to-end.

5. We partner along the service lifecycle

Some providers specialise in reselling, consulting or Managed Services. Our customers appreciate that we can support their transformation, with a full service portfolio which spans planning, sourcing and building to running their IT infrastructure.

The shift to digital makes these characteristics increasingly essential for service providers. At Computacenter, we are blending them for our customers' benefit, so we are their preferred partner for Making Digital Work.

Developing our long-term relationships

Adding value through our Supply Chain Services



Kevin James
Group Chief Commercial Officer

Our technology sourcing and lifecycle management services are fundamental parts of our offering for our customers. Reselling leading manufacturers' hardware and software products enables us to 'Source & Deploy' technology solutions for customers, and underpins our Professional Services and transformation solutions. In fact, most customers require a comprehensive solution, combining our services with the systems they need to meet their IT and business objectives. Our ability to seamlessly integrate vendor technology into our solutions for customers is therefore critical.

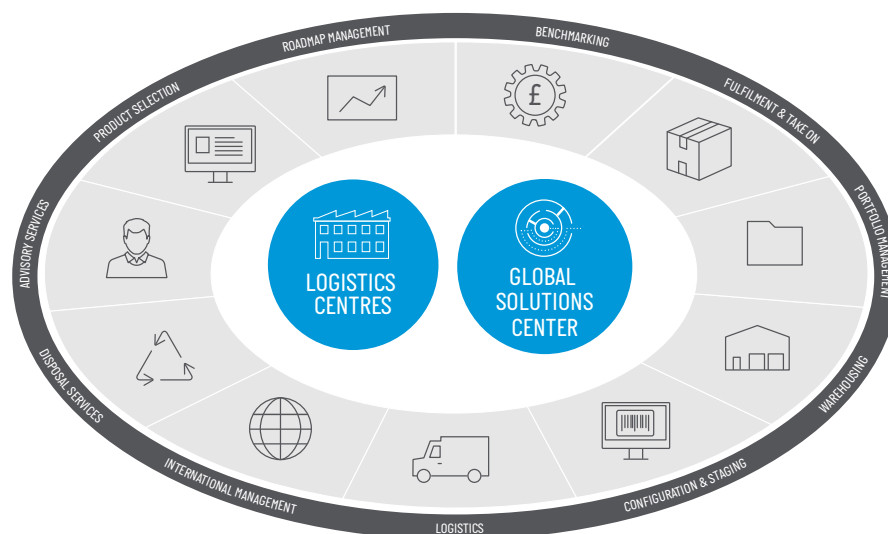
The value we deliver is highly prized and our performance in 2017 reflects this. Supply Chain revenues were higher in all of our key Segments, with Germany up 19.7 per cent, UK up 10.1 per cent and France up 12.4 per cent, resulting in 14.3 per cent growth for the Group, all on a constant currency² basis. Although there were movements in each country, across the Group our top five vendor partners remained consistent against the prior year. The top five were Cisco (Gold Partner); Lenovo (Platinum Plus); Dell EMC (Titanium Black); HP Enterprise (Platinum) and HP Inc. (Platinum). Together, they account for over 52 per cent of our Supply Chain revenue (2016: 51 per cent). There were three additions to the top ten, including Apple Inc., which together account for 68 per cent of revenue (2016: 69 per cent).

A service that spans the product lifecycle

Our Supply Chain business ensures our customers receive the right technology solution, at the right price, at lower risk and without the need to manage multiple vendors. We support them every step of the way, from initial advice through to safely and securely disposing of products at the end of life.

Computacenter has always invested in, and worked in partnership with, our key technology vendors to deliver value to our Enterprise customers. Alongside our strong partnership approach, we can also act as an independent and trusted advisor to our customers in strategic technology sourcing decisions,

Technology sourcing lifecycle



enabling them to leverage the most appropriate technologies to meet their specific needs. We help to develop the business case for investment and ensure the customer understands the true cost of ownership. Our heterogeneous Global Solutions Center (encompassing our regional Customer Experience Showcase centres) allow our customers to 'try before they build', test proposed solutions in a risk-free environment and ensure compatibility with their existing systems and processes. Once the customer is ready to proceed, we work with our vendors to achieve the best value for the customer and manage the complex contracts, assisting them to achieve competitive commercial terms.

Our Logistics Centres are key assets supporting our service. We can store products and release them as projects demand, simplifying scheduled implementations. We also configure technology for our customers in advance, ensuring effective connectivity with their infrastructure and deploying customers' own user interfaces. This is key to making sure that the solution we provide integrates into our customer's IT systems. Within our Logistics Centres, we replicate our customers' network and server infrastructure, which we can then deliver pre-built. In addition, the Logistics

Centres support a range of other critical functions, from tagging and logging customers' assets to managing product warranties. Over recent years we have invested significantly in our centres in the UK, France and Germany. In 2018 we will replace our Kerpen (Germany) Logistics Centres, to enable the growth predicted in enterprise technology solutions.

Many Enterprise customers want to implement their technology solutions internationally. Through our Supply Chain offering, customers gain the benefit of centralisation, consistency and cost effectiveness, combined with our ability to deliver solutions in more than 100 countries. We do this through a combination of our own Logistics Centres, alongside our managed ecosystem of approved distribution and service partners.

At the end of the product lifecycle, we help customers to maximise the value of their redundant IT assets. We free up customer resources by collecting assets, securely eradicating data, testing and assessing equipment for resale and, when necessary, recycling with zero waste to landfill.

VENDOR PARTNER SOLUTIONS

Within excess of 3,500 technical accreditations and 1,000 partner sales accreditations our expertise in our partners' solutions is unrivalled.

Important trends are driving demand for products

The pace of innovation continues to increase, driving customer demand for our key propositions, 'Digital Me', 'Digital Power' and 'Digital Trust'. This in turn is leading to significant customer investment in both hardware and software. As part of our Digital Me for Workplace transformation, our customers are already starting to invest in migrating to Windows 10, which we expect to require new devices for more than 30 per cent of users. Customers face time pressure to complete their upgrades, with support for Windows 7 scheduled to end in January 2020. The ongoing transition to mobile technologies is also creating demand for devices and apps. As part of the transformation, customers will continue to invest in their core infrastructure through management of hybrid IT and transformed, secure networks, enabling the shift to digital. All of this complexity drives the need to seamlessly integrate hardware and software solutions across the infrastructure stack.

An important channel for our vendor partners

Our ecosystem of vendor partners is pivotal to the value engagement with which we drive our Supply Chain business. We provide the partners with one of their most important routes to market. Our customer intimacy, alongside the depth and breadth of our engagement, represents an ideal platform for partners to have access to customers, ensuring they understand the value we deliver.

This mutually beneficial approach is reflected in the 3,500+ technical and 1,000+ sales accreditations which we hold. Our partner status is generally the highest available, indicating the level of influence we have to support and enable their technology.

Vendor partner facts and figures

We are the preferred route to market for technology partners to Enterprise customers.

With a product revenue of over £2.6 billion (19.4 per cent year-on-year constant currency² growth) we are the largest Solutions Provider in EMEA.

With over 3,500 technical accreditations and over 1,000 sales accreditation we are uniquely positioned as an independent technology integrator.

We are the largest Dell EMC partner in EMEA and one of only eight Titanium Black partners worldwide. We are the largest Lenovo partner in EMEA and the largest Cisco partner in Germany.

Top 10 vendor partners (by sales)



Selected 2017 vendor partner awards

Cisco

Worldwide Enterprise Partner of the Year
EMEA Enterprise Partner of the Year
Partner of the Year (DE)
Public Sector Partner of the Year (DE)
Security Partner of the Year (UK)

Hewlett Packard Enterprise

EMEA Synergy Partner of Choice
Partner of the Year (FR)
Hybrid Partner of the Year (DE)
Intelligent Edge Partner of the Year (UK)

Dell EMC

Enterprise Partner of the Year (UK)
Storage Partner of the Year (UK)

NetApp

EMEA Partnership Award
EMEA FlexPod Partner of the Year

Lenovo

2 in 1 Award (DE)

Partner Advisory Boards

We are a valuable member of many Global Partner Advisory Boards giving us the ability to influence partners at the highest levels. Some of the Partner Advisory Boards we attend include:

- Cisco Global Partner Operations Advisory Board and Executive Exchange
- HP Enterprise Global Partner Advisory Board
- Lenovo EMEA Channel Executive Forum
- HP Inc Global Partner Advisory Board
- Dell EMC Titanium Black Global Forum
- Dell EMC EMEA Partner Advisory Board
- VMware Worldwide Partner Advisory Board
- Splunk EMEA Partner Advisory Board
- Check Point EMEA Partner Advisory Forum

Our business model

How we create sustainable value

Our resources and relationships

The following resources and relationships underpin our business model:

Our people

Computacenter employs more than 14,500 people worldwide, including more than 1,700 project managers and consultants accredited to industry standards, and 1,300 remote infrastructure management and ITIL process staff. Between them, our people support our customers in 30 languages.

More information about how we attract, retain and develop our people can be found on pages 26 to 29.

Our customers

Our target market is the top 500 customers in each of our core geographies. Through our account managers, sales specialists, consultants, and service and project managers, we maintain unique customer intimacy. More than 80 per cent of our customers have been with us for more than 10 years, showing they value this close relationship. We also consistently score highly in the Whitelane customer survey, which independently researches customer satisfaction across the industry.

The value we add for our customers and the ways we engage with them are described under the Solutions, Shared Services and Engagement models on the following page.

Our partners

We have relationships with more than 1,500 vendor partners, many of which span more than 20 years, and over 4,500 technical and sales accreditations. For some of our vendors, we are the number one partner and we are a regular winner of partner awards. Through our deep product knowledge and vendor independence, we are able to recommend and support best of breed solutions for our customers.

Information about how we select and manage our vendors can be found on page 29.

Our brand

Our brand helps us to win and retain customers and to attract new employees. We recognise that the strength of our brand depends on how we are perceived in the market, which in turn depends on how we behave. This means our brand is directly connected to how we live our values. In particular, we maintain a strong brand by putting customers first, being straightforward, keeping promises and considering the long term, whilst understanding people matter and inspiring success.

More information about our values can be found on page 27.

Our infrastructure and physical assets

Our infrastructure and physical assets take a number of forms. We have significant infrastructure underpinning the global capabilities described on page 11, which we expand as necessary to support our customers. We also have Logistics Centres in the UK, France and Germany, which are sophisticated facilities supporting our Supply Chain business.

In addition, we have a number of underlying systems that support our business, including our SAP system, systems that connect us to our customers' sourcing functions, and systems that underpin our Next Generation Service Desk and Field Force Enablement tools.

We translate our experience and knowledge into Computacenter-specific frameworks such as Inventox, our technology deployment tool, to make sure our customers have access to best of breed solutions to their problems and to differentiate from our competition.

HOW IT WORKS AT A GLANCE

Making all of the elements of our business model work together.

How we create value

We create value by:

- Providing end-to-end solutions and innovative services, through our Solutions Model
- Industrialising our capability to provide high-quality, efficient and consistent services, through our Shared Services Model
- Building trusted customer relationships, interacting seamlessly with them and helping them to innovate and transform, through our Engagement Model

Solutions Model

Our portfolio spans the end user to Enterprise infrastructure services and solutions, which we can deliver end-to-end – from sourcing, to consulting and integration, to managed operations. Our innovative Digital Workplace, Hybrid Cloud/IT and Cyber Security offerings address our customers' most pressing needs when transforming their IT. (See our customer offer on page 10).

Shared Services Model

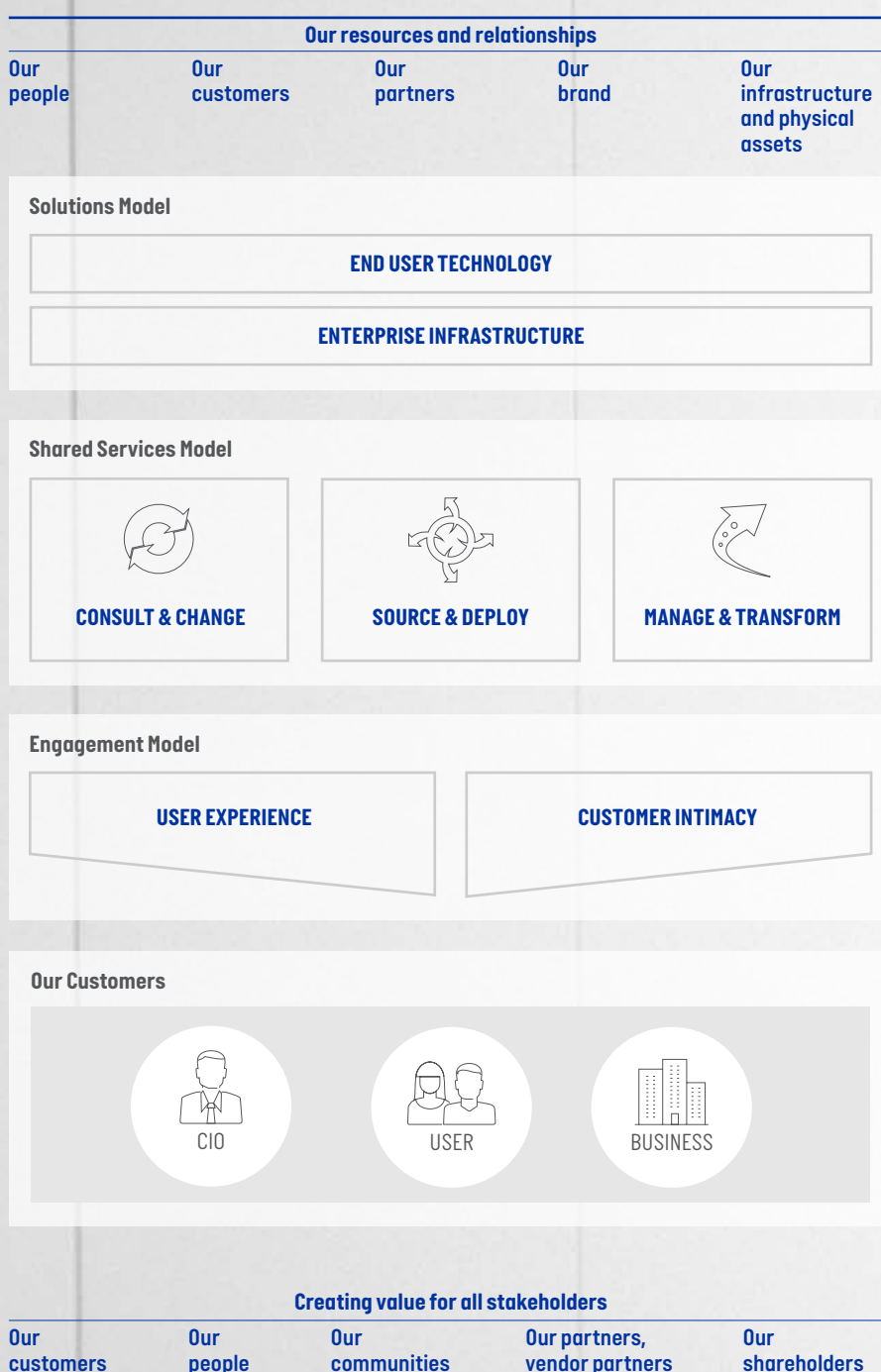
We provide consistent services around the world: Consult & Change, Source & Deploy and Manage & Transform (see page 11). Our ability to always deliver to a high standard is underpinned by our global facilities (see page 11); our tool suites, which cover Professional Services, Supply Chain Services, and Managed Services; our people (see page 26); our processes and knowledge-centred support; and our vendor partnerships (see page 12).

Engagement Model

Teams across our business engage with customers and build trusted relationships. In particular, these include our Service Management teams, whose customer value strategy ensures we deliver high-quality service. We also have systems of engagement, which are digital interfaces to drive productive interactions with our customers. These include our Next Generation Service Desk and our ServiceNow capability (see page 25). Our Engagement Model also includes our facilities and methodologies for driving innovation and change. Key examples include our Hothouse facilities in the UK, France and Germany, where we bring together customers, technology specialists and vendors to develop innovative transformation plans for the customer.

Related material:

[Our resources and relationships – page 26](#)



Our strategic priorities

How we aligned our customer offer with our marketplace in 2017

Our Services-led strategy is focused on enabling users and their business. The Group's progress against its strategic objectives is transparently measured by an associated key performance indicator.

Three of the strategic objectives cover different aspects of the Services business: how well we are growing our overall Services revenue, how well we manage the productivity of our people delivering these Services and how well we are able to acquire longer-term Services contracts that help retain our customer relationships. The final strategic objective also encompasses our Supply Chain business and shows how well we are profitably penetrating our customers with our complete portfolio of Services and products.



Each objective is managed by a member of the Group Executive team

From left to right:
Andy Stafford, Group Chief Operating Officer:
To improve our Services productivity and enhance our competitiveness

Neil Hall, Managing Director, UK:
To lead with and grow our Services business

Mike Norris, Chief Executive Officer:
To retain and maximise the relationship with our customers over the long term

Mo Siddiqi, Group Development Director:
To innovate our Services offerings to build future growth opportunities

Related material:

[2017 highlights – Inside front cover](#)

[Our marketplace – page 06](#)

[Resources and relationships – page 26](#)

[Principal risks and uncertainties – page 30](#)

[Directors' Remuneration Report – page 74](#)

HOW IT ALL FITS TOGETHER

Linking our strategy to market trends, customer offer, risk, performance and remuneration

Our four strategic objectives	Strategic objective 1: To lead with and grow our Services business	Strategic objective 2: To improve our Services productivity and enhance our competitiveness	Strategic objective 3: To retain and maximise the relationship with our customers over the long term	Strategic objective 4: To innovate our Services offerings to build future growth opportunities
	↓	↓	↓	↓
Megatrends	Megatrend 1: The shift to digital Megatrend 2: The subscription or 'as-a-service' economy Megatrend 3: Globalisation of our markets Megatrend 4: Shortage of talent			
The Computacenter portfolio	<div> <div> <p>DIGITAL WORKPLACE</p> </div> <div> <p>HYBRID IT</p> </div> <div> <p>SECURITY</p> </div> </div> <div> <div>END USER</div> <div>DATA & ANALYTICS</div> <div>CLOUD & DATACENTER</div> <div>NETWORKING</div> <div>SECURITY</div> </div> <div>Consult & Change</div> <div>Source & Deploy</div> <div>Manage & Transform</div>			
How we use our competitive advantage	– Friend of the CIO – Focus on end users – Customer intimacy – End-to-end solutions – Partnering service lifecycle	– Friend of the CIO – Focus on end users – Customer intimacy – End-to-end solutions – Partnering service lifecycle	– Friend of the CIO – Focus on end users – Customer intimacy – End-to-end solutions – Partnering service lifecycle	– Friend of the CIO – Focus on end users – Customer intimacy – End-to-end solutions – Partnering service lifecycle
Alignment to relevant principal risks and uncertainties	Strategic ✓ Contractual ✓ Infrastructure ✓ Financial ✓ People ✓	Strategic ✓ Contractual ✓ Infrastructure ✓ Financial ✓ People ✓	Strategic ✓ Contractual ✓ Infrastructure ✓ Financial ✓ People ✓	Strategic ✓ Contractual ✓ Infrastructure ✓ Financial ✓ People ✓
Measuring success Why this is important to Computacenter:	Services Contract Base With an ever increasing demand from our customers to make digital work, we are confident of continuing to grow our Services Contract Base in 2018.	Services revenue generated per Services head Our relentless focus on finding the most effective and cost efficient method of helping our customers with their technology challenges is key to our competitiveness and hence our future growth agenda.	Number of customer accounts Analysing growth in the number of customers generating more than £1 million of profit shows that profitability increases at the same rate, demonstrating the importance of these customers to our bottom line.	Services revenue The Services business is strategically relevant in two ways: Managed Services are the prerequisite for long-term customer relationships and retention, whereas Professional Services give us visibility and recognition, by helping the CIO to make his IT infrastructure suitable for digital services.
Linked to remuneration	✓	✓	✓	✓

STRATEGIC OBJECTIVE 1

To lead with and grow our Services business

Description

Over the last two years, we have created a central Group function that brings together some of our key aligned service resources, tools and processes focused on bidding. It aims to grow our Services beyond market rates, whilst ensuring we take a disciplined approach to contract quality. The function incorporates design, architecture, solution and sales resources, supported by enabling functions such as account-based marketing. It has helped to share best practice and lessons learned, contributing to key new wins and renewals. Some recent successes have come from key customers such as Rolls-Royce, along with new customer acquisitions including a leading German bank.

Progress in 2017

In 2017, we grew the annual Contract Base to £756 million, which represents circa £11 million growth on 2016. Key wins included Credit Suisse, Heathrow and the Home Office, along with some significant renewals. The growth was predominantly seen in the UK, with modest growth in Germany and a decline in France, after losing a large customer contract in the energy sector.

Now that we have standardised our approach at Group level, we will return the sales functions to the Country Units and the design function to the newly formed Group Design and Delivery. We expect this change will help to accelerate our Services growth, while maintaining standards and predictability of outcome.

Target for 2018

In 2018, the Managed Services market will remain mature and relatively saturated, with limited growth. We therefore need to grow our market share to outperform our peers. With our healthy pipeline showing ever-increasing demand for digital workplace services, combined with our credibility and capability in this area, we are in a very good position to take advantage. We have a clear view of the customers we want to be relevant with and the Services we want to offer. We will continue to invest in key areas such as automation and analytics to help drive our service productivity and develop our enabling user offering. We expect to grow our underlying Contract Base by around 5.0 per cent, however the already notified loss of a single major contract, to occur in mid-2018, reduces our growth expectations to flat overall.

Why this is important to Computacenter

With an ever increasing demand from our customers to make digital work we are confident of continuing to grow our Services Contract Base in 2018.

How we define Services Contract Base

This is our forward order book of committed Managed Services spend as at the year end. The prior year comparatives are restated on a constant currency² basis to provide a better indicator of underlying growth.

Services Contract Base (£m)

756

+1.5%

17	756
16	745
15	719
14	705
13	651

MATURING OUR SERVICES LEADERSHIP

In 2014 we formed Business Enablement and Contractual Services (BECS), a Group function to standardise how we take our Managed Services to market. BECS established consistent processes for developing, designing and articulating our Managed Services offerings, enabling us to mitigate bid risk and embed consistent discipline in our approach. As BECS' people, processes and tools have matured, its output has been proven by the success of our Services business. We are now able to bring this capability closer to the sales force, by embedding it within the Country Units. The combination of flexibility and responsiveness to our customers, with mature Group standards, will enable the Contract Base growth we are targeting.



STRATEGIC OBJECTIVE 2

To improve our Services productivity and enhance our competitiveness

Description

Technology encourages standardisation and commoditisation. Organisations such as ours must therefore differentiate the way we deliver value to customers. We do this by rigorously applying effective processes and utilising the right resources, including automation and robotics, in suitable locations. This allows us to best meet the needs of our global customers, at a competitive price.

Progress in 2017

In 2017, we continued our global expansion of our Service Desk and Infrastructure Operations. We established a new location in Mexico, helping us to meet the needs of particular global clients. In addition, we expanded our operations in South Africa, where customers appreciate the high quality of skills at an attractive price. We have also increased the number of infrastructure services we operate at this particular location.

Many customers have welcomed these investments, which have led to significant revenue growth. However, as these are lower cost locations this has an adverse effect on the measure of the strategic objective, as the revenue per head is relatively lower.

Early this year, we established a dedicated Global Automation team, focused on applying robotics and other automation methods to repetitive customer challenges. We now have several early adopter customers embracing our offering, which frees up people for more valuable activities.

Computacenter has constantly focused on enabling customers to benefit from our scale. To that end, we are changing the way we manage and utilise our engineering teams, following the successful deployment of new Field Service & Scheduling tools, initially in the UK. This new standardised operating model with a direct productivity benefit, is a core component of both current and future bids.

Target for 2018

2018 will see further leveraging of our investments in automation, customer reporting and tooling. This foundation is helping us bid for new contracts more cost effectively, encouraging greater industrialisation and driving further cost efficiency.

We will establish a Service Desk location in Poland for lower-cost German language support, and are assessing demand for a lower-cost French language option. We also anticipate expanding our capacity in Asia.

Why this is important to Computacenter

Our relentless focus on finding the most effective and cost efficient method of helping our customers with their technology challenges is key to our competitiveness and hence our future growth agenda.

How we define Services revenue generated per Services head

This is our Group Services revenue divided by the number of employees directly involved in the provision of either our Managed Services or Professional Services offerings. The prior year comparatives are restated on a constant currency² basis to provide a better indicator of underlying growth.

Services revenue generated per Services head (£'000)

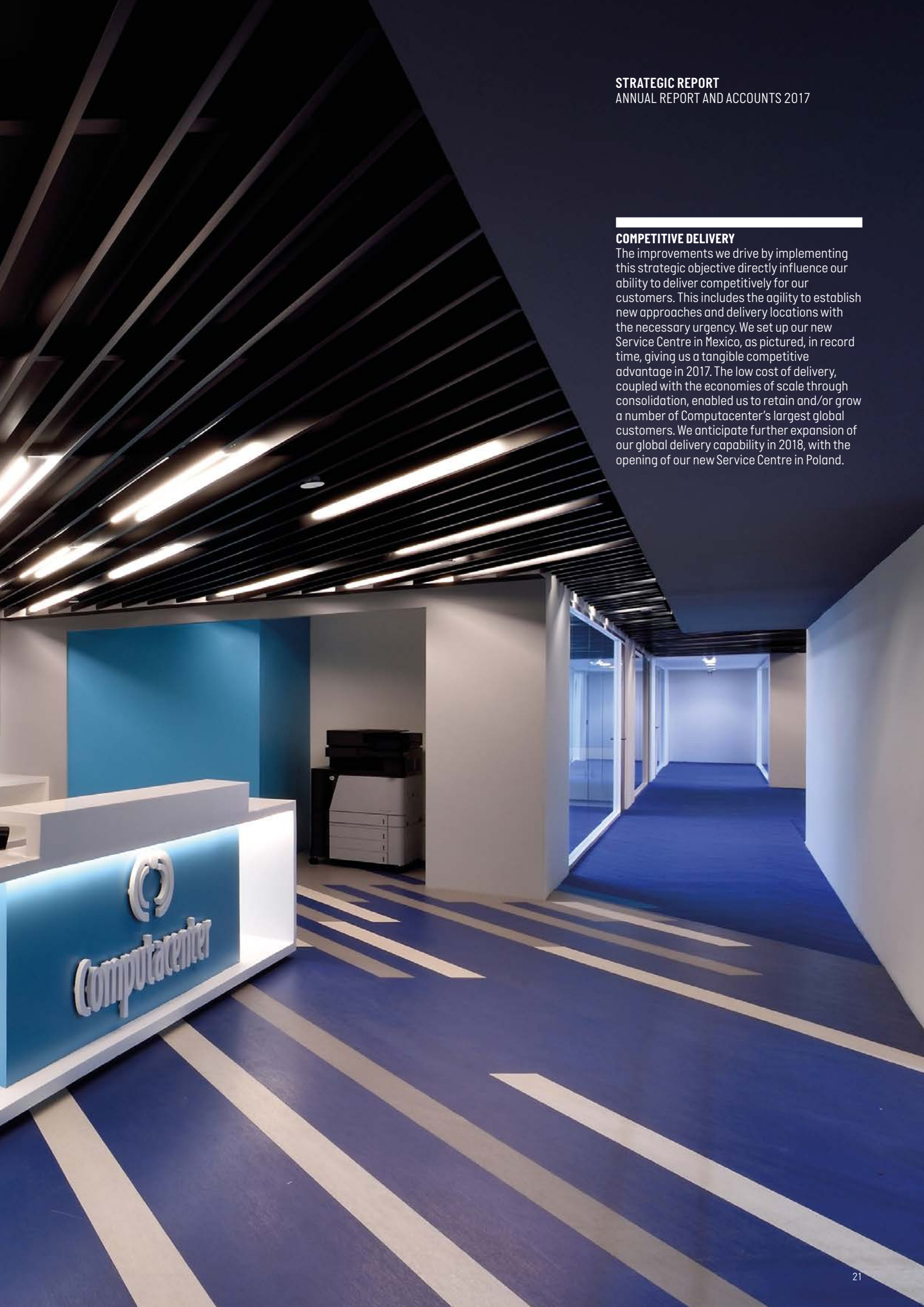
89

+0.3%

17	89
16	89
15	92
14	91
13	89

COMPETITIVE DELIVERY

The improvements we drive by implementing this strategic objective directly influence our ability to deliver competitively for our customers. This includes the agility to establish new approaches and delivery locations with the necessary urgency. We set up our new Service Centre in Mexico, as pictured, in record time, giving us a tangible competitive advantage in 2017. The low cost of delivery, coupled with the economies of scale through consolidation, enabled us to retain and/or grow a number of Computacenter's largest global customers. We anticipate further expansion of our global delivery capability in 2018, with the opening of our new Service Centre in Poland.



STRATEGIC OBJECTIVE 3

To retain and maximise the relationship with our customers over the long term

Description

Computacenter focuses on the large account market, in both the public and private sectors, and maintaining these customers for the long term. The number of large customers we have has a direct relationship to our profitability over the long term. Growing the number of customers who contribute more than £1 million of margin is therefore a key driver of Computacenter's profitability.

Progress in 2017

In 2017, the number of Group customers who generate more than £1 million per year of gross profit, measured in constant currency², increased from 102 to 107. The trend amongst our customers has been consistent across geographies, as they invest in digitalising their businesses to improve their relationships with their customers and enhance their profitability. This has enabled us to significantly increase our revenues and margins in these areas. However, we have also seen customers focus on reducing their operating costs, which has meant downward pressure again to revenues and margins in our long-term Managed Services business. We have also seen more buoyant investment in Germany, compared with the other countries in which we operate. These trends have been easier to deal with due to our breadth of services and geographical diversity, which have helped us to retain and grow our customer base.

Target for 2018

We believe that in 2018, we will see a continued drive to digitalisation and investment in new technology. Additionally, Computacenter will expand its geographical footprint to address customers' needs and attract more clients. Ultimately, the competitiveness of our offerings coupled with our sales execution is how we will improve the measure of this strategic objective.

Why this is important to Computacenter

Analysing growth in the number of customers generating more than £1 million of profit shows that profitability increases at the same rate, demonstrating the importance of these customers to our bottom line.

How we define customer accounts with contributions of over £1 million

A customer account is the consolidated spend by a customer and all of its subsidiaries. Where our customer account exceeds £1 million of contribution to Group adjusted¹ gross profit it is included within this measure. The prior year comparatives are restated on a constant currency² basis to provide a better indicator of underlying growth.

Number of customer accounts with contributions over £1 million

107

+5.0%

17	107
16	102
15	95
14	90
13	86

THE POWER OF SUPPLY CHAIN

Winning by putting customers first is a key value at Computacenter and helps us to grow our base of large customers, which in turn underpins our financial success. A major factor in this growth has been our ability to bring new levels of innovation to our Supply Chain offering. Large organisations have sophisticated requirements, from the commercial models they apply, to digital ordering frameworks and the logistical challenge of providing a consumer-like user experience in all parts of the world. We can meet these requirements because our maturity gives us unrivalled commercial, technical and logistical capabilities, coupled with our Group Partner Management function to manage vendor partner collaboration. Supply Chain is an important component of our portfolio and has vital synergies with our Services business, so we continue to invest in our global capability. The image below shows our major new logistics centre we are building in Kerpen, Germany.



STRATEGIC OBJECTIVE 4

To innovate our Services offerings to build future growth opportunities

Description

Annual Services revenue, which comprises our Managed Services (Manage & Transform) and Professional Services (Consult & Change) businesses, is the key measure for this strategic objective. Our portfolio and Services development activities are focused on improving our differentiation and building competitive advantage, thus laying the foundation for future Services growth.

Progress in 2017

This was a successful year, with Services revenue returning to growth with a 7.3 per cent increase on a constant currency² basis. Over the last four years, our Services revenue has risen at a compound annual growth rate of 4.6 per cent, ahead of the average market growth.

Digital Me, our Digital Workplace proposition and offering, is already becoming a key differentiator in contracts we have won in the UK, Germany and France. The pipeline for transformational and Windows 10-based Digital Workplace contracts is growing, as the extended support for Windows 7 will end in January 2020. Our sustained position as ‘Challenger’ in Gartner’s ‘Magic quadrant for Managed Workplace Services, Europe’ recognises our strategic direction and ability to execute.

Additionally, in 2017 we have launched our Hybrid Cloud/IT (Digital Power) and Cyber Security (Digital Trust) offerings as part of our customer offer. Both underpin our customers’ Digital Workplace requirements in areas such as endpoint security and support for cloud-based workplace apps, as well as providing genuine Services growth, primarily in transformational Professional Services.

Target for 2018

Our quantitative target is to achieve a continuous long-term organic growth rate that is well above the market average across all our geographies. However, the equally important qualitative goal is to develop innovative services and solutions that are relevant for the digital transformation agendas of our customers and thus tap into the business-led investments that CIOs are increasingly supporting or even driving.

Why this is important to Computacenter

The Services business is strategically relevant in two ways: Managed Services are the prerequisite for long-term customer relationships and retention, whereas Professional Services give us visibility and recognition, by helping the CIO to make his IT infrastructure suitable for digital services.

How we define Services revenue

Services revenue is the combined revenue of our Professional Services and Managed Services business. The prior year comparatives are restated on a constant currency² basis to provide a better indicator of underlying growth.

Services revenue (£m)

1,157
+7.3%

17	1,157
16	1,078
15	1,084
14	1,024
13	980



INNOVATE FOR GROWTH

We need to constantly innovate in our services and solutions portfolio to stay relevant to our customers. To do this, we have a significant investment programme, through which we will continue to integrate new chat, automation and analytics capabilities into our Services. An additional focus in 2018 will be the launch of our standard portfolio of Windows 10 Evergreen Services. We will also continue to look at opportunities to enhance our capabilities through acquisitions. In 2017, we made the strategic acquisition of TeamUltra, to allow us to integrate our solutions with the ServiceNow platform, which is increasingly important to many of our customers. TeamUltra's 60 ServiceNow specialists will allow us to link ServiceNow's platform with Computacenter's Next Generation Service Desk and other services, to provide a more integrated user experience. In Switzerland, we also acquired clTius, a provider of virtual workplace and mobility solutions, to strengthen our competitive position in the Swiss market.

Pictured is our refurbished London office, 100 Blackfriars Road, which was reopened at the beginning of 2017.



Our resources and relationships

The most important assets we need to make our strategy work and how we manage them

We have a number of resources and relationships underpinning our business. The business model description on page 14 sets out how we interact with and create value for our customers, and also describes the infrastructure that supports our business and how our brand connects to our corporate values. The remainder of this section therefore covers how we manage our relationships with two of our other critical resources – our people and our partners. It also includes an overview of our community relationships.



Barry Hoffman
Group Human Resources Director

How we manage our resources at Computacenter

Managing our resources is critical to our business success. The people in our business are valuable resources and as such we maintain a full set of business policies to support their growth and development as well as making the working environment conducive to them fulfilling their potential.

By means of a series of charters for management and staff we ensure that expectations are set and are clear for all our employees, which facilitates our performance management and feedback process. Managing our resources in this way aligns with our Winning Together values, which we are very proud of.

Our people

Our people are a major source of competitive advantage for us and we continually review our approach to attracting and retaining talented individuals.

Future talent

Attracting young talent remains crucial for both our business and for the industry. In the UK in 2017, we had our largest ever intake from our industrial placement programme, as well as continuing with our graduate and sales associate programmes. We again offered numerous apprenticeships, bringing the total we have run to 186. In addition, we attended many university and school careers fairs and offered a range of other support and advice to young people, including school interview/employability days and work experience.

We were honoured to be recognised as a Top 100 Graduate Employer and ranked first for smaller intakes in the IT, Support and Telecoms category at the 2017/18 JobCrowd Awards in London, with specific recognition for our culture, career progression and enjoyment.

We remain focused on attracting young women into Science, Technology, Engineering and Maths (STEM) careers and have developed our outreach programme in schools, colleges and universities. In the UK, we have two Women in Science and Engineering (WISE) Ambassadors, who are trained to help young women identify their skills and understand their career options. In addition, two members of our HR Team are STEMNET Ambassadors, who support a range of activities and events. We also have three 'Inspire the Future' Ambassadors, who link to schools nationally.

In Germany, we have continued to support future talent through a range of schemes. These include giving young people professional and practical training in digital media and insight into working in the IT industry; bringing young women together to learn about technical and science careers; and sending apprentices to talk to school students about training, work and career opportunities.

Related material:

[Our business model – page 14](#)

[Our strategic priorities – page 16](#)

[Principal risks and uncertainties – page 30](#)

[Directors' Remuneration Report – page 74](#)

Diversity and inclusion

Diversity and inclusion is important to Computacenter. We believe that gender and ethnically diverse companies are more likely to outperform their competitors, as a business with a rich mix of backgrounds and views stimulates innovation, better mirrors its customers and attracts the best talent. We have therefore continued our work on diversity and inclusion throughout 2017.

Our People Panel, comprising more than 20 people from across the Group, met for the first time in March 2017. People Panel representatives raise awareness of collaboration, diversity and inclusion; join up key initiatives; and give people the confidence to identify things that are undesirable.

Our other diversity and inclusion initiatives included running further 'Women in Sales' events in the UK. These cover topics ranging from the recruitment process to maternity leave and returning to work. We have also reviewed the experiences of our UK employees who go on maternity, adoption or shared parental leave, and started workshops for employees who are returning to work in the next three to six months.

In Germany, we continued our women@work development programme. It offers advice and support on their career path to selected young female executives. To expand the reach of its women@work initiative, Computacenter Germany has significantly increased its external communications and attendance at job fairs exclusively for women. The women@work team has also developed tangible objectives and measures, to promote gender equality.

To encourage and motivate others, we share the career successes of women in our organisation. In addition, we invited managers from our customers and partners to share career insights and offer advice.

Winning Together – our values

These are the values on which we built this Company and they are the values on which we will continue to grow Computacenter.

**Winning
Together**
Our Values

We win by:

Putting customers first

We work hard to get to know our customers and really understand their needs. That let us use our experience to help them in the right way at the right time.

Being straightforward

We're practical and pragmatic. We believe in solutions over talk. We express ourselves in the clearest possible way. And we're open and honest in all of our dealings.

Keeping promises

We do our very best to keep our promises. And when that's difficult, we help our customers find other ways of solving their problems.

We do this together by:

Understanding people matter

We build strong, rewarding, supportive relationships. And we treat people as we expect them to treat us.

Considering the long term

We're building a business for the long term. This leads our decisions and actions and helps people really trust us.

Inspiring success

We're proud of the people we work with. We do the best to support each other through the downs and we always celebrate the ups.





Employee Fun Club, Malaysia



Fresh fruit in Mexico

The table below shows our gender diversity at the year end:

	2017		2016	
	Men	Women	Men	Women
Board	8	2	7	2
Senior management	66	15	80	20
Other employees	11,092	3,449	10,883	3,307
Total	11,166	3,466	10,970	3,329

In the UK we have been preparing and analysing our gender pay gap figures, as required by the Equality Act 2010 (Gender Pay Gap information Regulations 2017), and these will be available on our website, investors.computacenter.com, by 4 April 2018.

Health, safety and wellbeing

Protecting the health and safety of our employees, customers, suppliers, subcontractors, visitors and members of the public is a priority for us. Our policy is to create and maintain, as far as reasonably practicable, a working environment which does not pose an undue risk to health and safety. Our approach is based on identifying and controlling hazards. Preventing all incidents, particularly those involving personal injury and damage to equipment or property, is a priority. We also investigate near-misses, to avoid similar occurrences and maintain the efficient operation of the business.

All of our employees are made aware of the importance of health and safety and contribute to maintaining a safe working environment. We promote consultation between employees and managers concerning health and safety and provide the necessary finance, equipment, personnel and time to ensure it is implemented and maintained.

Our key measures are the Accident Incident Rate (AIR), which is the number of accidents per 1,000 employees, and the Accident Frequency Rate (AFR), which is the number of accidents per 100,000 working hours.

During 2017, we have seen a solid health and safety performance driven by an established Health & Safety Management System which has seen the number of accidents reduced by 13 per cent. We have continued to maintain the Accident Incident Rate (AIR), which is the number of accidents per 1,000 employees, to 2.60 in the UK, and the Accident Frequency Rate (AFR), which is the number of accidents per 100,000 working hours, to 0.48 in the UK.

Average results for 2017:

	AIR	AFR
UK	2.60	0.48
Germany	4.66	0.97
France	2.76	0.58

Online health and safety training has been refreshed for 2017 and rolled out to staff with over 3,884 courses completed so far – Display Screen Equipment (1,573), Manual Handling (1,134), Environmental Awareness (914), Fire Warden (78) and Asbestos Training (185).

We have continued to focus on the health and wellbeing of our people this year, with initiatives across the Group supported by occupational health and health and safety specialists. These range from webinars on health topics and our employee assistance programme in the UK, to promoting healthy eating and exercise in Spain, providing in-house counselling services in South Africa, and working with our US healthcare provider to promote health and wellbeing.

Wider community

We recognise that our services require contributions from a wide range of stakeholders and it is important that we support the communities that make a positive contribution towards them. In doing so, we hope to achieve three main aims:

- to demonstrate our commitment to the wider community;
- to motivate staff, by encouraging teambuilding activities in a worthwhile cause; and
- to communicate Computacenter's core values to customers, staff and other stakeholders.

There were many examples of community and charity support across the Group in 2017. In France, these included providing employment opportunities to those not currently working and supporting the schooling of children who had been forced into child labour. In Germany, we ran blood donation campaigns and our Management and Works Council jointly decided to donate €50,000 to support refugee integration projects. Our UK business began working with CERCO to help ex-members of the Armed Forces with their career transition, by providing six to 12-month development programmes in the business. This helps them integrate back into civilian life. In Spain, we support the local branch of UNCHR. In the UK, we have three partner charities: Alzheimer's Research UK, Rainbow Trust and Mind. Events are steered by a Charity Committee and we also support many charity initiatives proposed and run by employees.

Our partners

We carry out appropriate due diligence on our vendors, for example to understand their financial position, their environmental, social and ethical policies, their approach to IT security and their business continuity plans. When selecting who to work with, we ensure that our terms of engagement are clear and transparent, and support our Group values and wider corporate responsibility objectives.

How we do business

The Modern Slavery (transparency in Supply Chain) Act requires us to review our Supply Chain and publish a statement on our approach to preventing modern slavery. This statement is available on our website. Over the last year, we have increased our focus on the risk of modern slavery and have worked across our business to identify our risk areas. As a result, we have improved our governance processes and developed a new supplier Code of Conduct, which incorporates modern slavery and the 10 Core Principles of the UN Global Compact (UNGC). Further information on how we adhere to UNGC can be found on our website. Moving forward, we will continue with our commitment to ethical and responsible business practices, ensuring that we do not tolerate modern slavery anywhere within our supply chain.

Existing and prospective customers increasingly view activity in this area as one of the factors determining where they place their business. Making an appropriate contribution in this area is therefore the right thing to do for the wider community and for our business. We are committed to carrying out business responsibly. In accordance with the 10 Core Principles of the UNGC, we continue to ensure that our practices comply with human rights and employment legislation wherever we do business.

We have zero tolerance of anti-bribery and corruption in our business and are confident in our internal processes and compliance. Anti-bribery and corruption training is integral to our induction process across the Group. We have continued to develop our approach and awareness of this, through the rollout across the Group of our external whistleblowing hotline. We have also designed an e-learning programme for managers on whistleblowing and our senior sales team had further awareness training on this, delivered in partnership with Lewis Silkin LLP.

Related material:

Further information on the Group's environmental impact and its related policies and programmes can be found on page 96 of the Directors' Report and by reference to our website: investors.computacenter.com.

Principal risks and uncertainties

Mitigation that helps us to deliver our strategy

1. Risk overview/landscape

Our long-term success is built on a clear strategic direction, contractual and operational excellence, and effective back office functions, such as Finance and Human Resources, enabling customer-facing staff to fulfil their obligations effectively. All of this is underpinned by a secure IT infrastructure, hosting both internal and customer platforms. Our strategic, contractual and infrastructure risks are largely determined by the industry we operate in and our long-term approach to adding value. Our financial and people risks are defined by the wider economic environment, the way we run our business day-to-day and our long-term staffing needs. While outside factors are beyond our control, our risk management approach is committed to managing the impact of these influences, while controlling the internal elements vital to our success.

2. Risk appetite

Our risk appetite is strongly influenced by our experience in the industry sector in which we operate. At an operational level, we have a higher risk appetite for business development where we have experience of the risks and a lower risk appetite where we have less experience. This is supported day-to-day by our operating policies and governance processes.

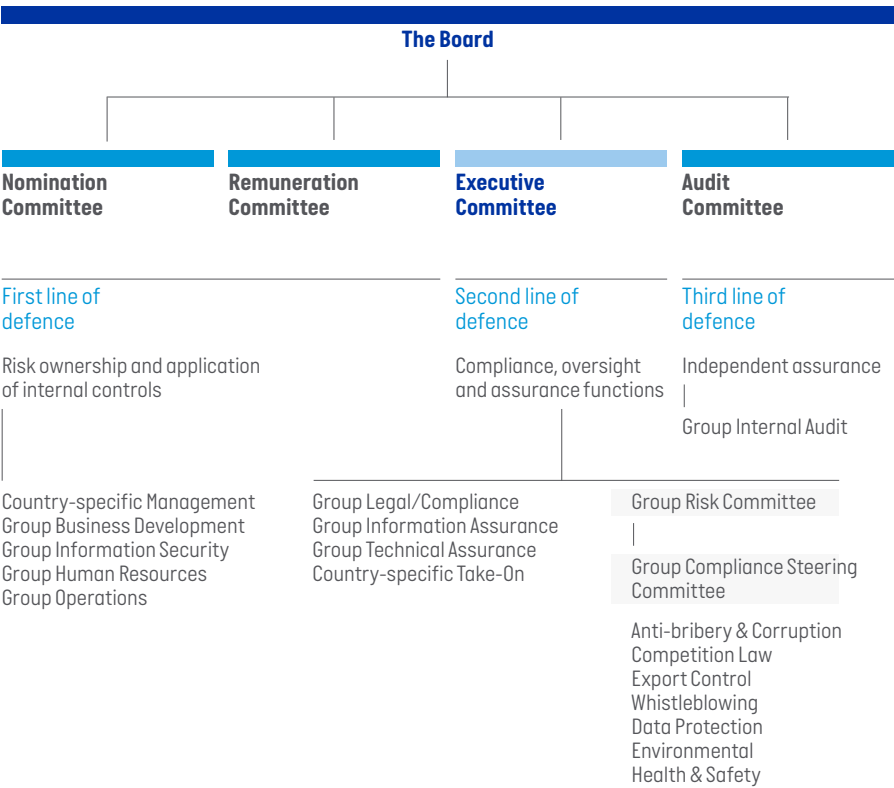
3. Risk culture

Risk management and governance processes are well-established and understood within the business and operate at all levels. Strategic-level risks are monitored by the Risk and Audit Committees, as well as by the Board. Lower level operational risks are identified, analysed and mitigated at a functional level on an ongoing basis, using well-embedded processes.

4. Risk identification and impact

The Group Risk Committee reviews our principal risks on an annual basis. These risks are the barriers to meeting our strategic goals. This top-down approach includes assessing whether emerging risks are significant enough to warrant inclusion on the Group Risk Log. If so, the likelihood of occurrence and potential impact are considered and the risk is subject to regular review. The impact of existing risks is also reviewed. The key risks are further considered in relation to the Long-Term Viability Statement.

Our risk governance model



Lower-level risks are identified and analysed through the Group Operating Business Risk Assessment process, the results of which are also reviewed by the Group Risk Committee.

5. Risk trends

The overall risk landscape has remained relatively static over the year.

Strategic: The strategic-level risk profile is one of long-term risk due to technological change and Computacenter's ability or otherwise to innovate effectively. It has decreased over the period, as our response has matured.

Contractual/Operational: We recognised a new risk in this category this year, in relation to compliance with the General Data Protection Regulation (GDPR), which will come into force in May 2018. We regularly review our progress with our compliance project.

Infrastructure: Although there has been no overall change in relation to impact or likelihood of occurrence, cyber security remains at the forefront of discussions at both the Risk and Audit Committees.

Financial: Risks relating to the departure of the UK from the EU remain under review. As the date of departure nears, we have established an executive-level committee to assess the potential risks in more detail and our response to them.

People: There has been no change to the risk profile, with both recruitment and succession planning remaining paramount to Computacenter's future success.

HOW RISK LINKS TO STRATEGY

Risk management is a process that helps maximise the chances of achieving our strategic objectives

Our four strategic objectives	Strategic objective 1: To lead with and grow our Services business	Strategic objective 2: To improve our Services productivity and enhance our competitiveness	Strategic objective 3: To retain and maximise the relationship with our customers over the long term	Strategic objective 4: To innovate our Services offerings to build future growth opportunities
Risk categories:	⬇	⬇	⬇	⬇
Strategic risk				
Adverse technology change	●		●	●
Inappropriate investment	●	●	●	
Contractual risk/Operational risk				
Underdelivery on contractual commitments	●		●	
Ineffective international business strategies	●		●	
Untested design and pricing structures	●		●	●
GDPR compliance			●	
Infrastructure risk				
Cyber threat	●	●	●	●
Systems outages	●	●	●	●
Financial risk				
Poor control of working capital		●		●
Poor control of direct costs	●	●		
Underinvestment in indirect costs	●	●	●	●
UK's departure from EU	●	●	●	
People risk				
Poor staff recruitment and retention	●	●	●	●
Inadequate succession planning	●			●

Related material:
[How it all fits together – page 17](#)
[Accountability – page 66](#)

Group risk log 2017 heat map



1. STRATEGIC RISK

Alert status

Reduced likelihood

Risks

- Technology change dramatically reducing customer demand for our service and product offerings (CEO)
- Not investing appropriately or over-investing in the wrong automation, self-service and remote tools, when compared to our competition (CEO/GC00)

Principal impacts

- Reduced margin
- Excess operational staff
- Contracts not renewed
- Missed business opportunities

Response to risk

- Well-defined Group strategy, backed up by an annual strategy process that considers our offerings against market changes
- Group Investment & Strategy Board considers strategic initiatives
- Additional measures including CEO-led country, sector and win/loss reviews

Risk owner

- Chief Executive Officer (CEO)
- Group Chief Operating Officer (GC00)

2. CONTRACTUAL/OPERATIONAL RISK

Alert status

New risk in relation to GDPR

Related material:
Our strategic priorities – page 16
To lead with and grow our Services business
– page 18

Risks

- Failure to deliver against contractual commitments for our Services business (GCOO/GQAD/GHSM)
- Failure to deliver and manage our international business strategies effectively (Hol)
- Key decision makers failing to implement appropriate designs and pricing structures (CMD)
- Failure to comply with the General Data Protection Regulations (HL&C)

Principal impacts

- Customer dissatisfaction
- Financial penalties
- Contract cancellations
- Reputational damage
- Reduced margins
- Loss-making contracts
- Reduced service and technical innovation

Response to risk

- Mandatory governance processes relating to bids and new business take-ons substantively upgraded for Q1 2018. This includes risk-based decision-making assessments and new tooling
- Design and Delivery functions merged under the single leadership of the new Group Chief Operating Officer to establish better linkage between the two activities
- Board oversight of significant bids
- New Group Head of Service Management appointed, to drive consistency and leverage Service Management best practice across the business
- Appointment of a Group Quality Assurance Director to provide independent quality assurance of key bids, key delivery programmes and to improve the extraction of value from our lessons learnt processes
- Regular commercial 'deep dives' into troubled contracts and challenging transformation projects
- Specialist International Management team
- Robust processes governing international business partners (subcontractors), before take-on and in-life, including alternate partners where applicable
- Project underway aimed at ensuring GDPR compliance

Risk owner

- Group Chief Operating Officer (GCOO)
- Country Managing Directors (CMD)
- Head of Legal & Contracting (HL&C)
- Group Head of Service Management (GHSM)
- Group Quality Assurance Director (GQAD)
- Head of International (Hol)

Related material:

Global delivery – page 11

Group Finance Director's review – page 48

Resources and relationships – page 26

3. INFRASTRUCTURE RISK

Alert status

Unchanged risks, but some increase in activity levels



Risks

- Cyber threat to Computacenter's networks and systems, arising from either internal or external security breaches, leading to system failure, denial of access or data loss. Cyber threats introduced by Computacenter to its customers' networks and systems for whatever reason (GCIO)
- Failure leading to unacceptably long or regular short outages of either internal or customer-facing systems (GCIO/GC00)

Principal impacts

- Inability to deliver business services
- Reputational damage
- Customer dissatisfaction
- Financial penalties
- Contract cancellations

Response to risk

- Well-communicated Group-wide information security and virus protection policies
- Specific inductions and training for staff working on customer sites and systems
- Specific policies and procedures for staff working behind a customer's firewall
- Ongoing and regular programme of external penetration testing
- Policies ensuring Computacenter does not run customer applications or have access to customer data
- Regular review of cyber security controls
- All Group standard systems built and operated on high availability infrastructure, designed to accommodate failure of any single technical component
- All centrally-hosted systems built and operated on high availability infrastructure, with multiple levels of redundancy
- All centrally-hosted systems benefit from dual network connectivity into core datacenters designed to accommodate loss of network service
- Standing agenda item for consideration at each meeting of the Group Risk Committee

Risk owner

- Group Chief Information Officer (GCIO)
- Group Chief Operating Officer (GC00)

4. FINANCIAL RISK

Alert status

Unchanged risks



Risks

- Potential effect of UK's departure from EU on our business as a result of anti-UK business sentiment, specific exit strategies or short-term issues such as foreign exchange volatility (GFD/GC00)
- Underinvesting in our indirect costs, particularly Sales, leading to missed opportunities and top line impact (CMD)
- Poor control of debt management (GFD)
- Not taking advantage of productivity and cost reduction opportunities (GC00)

Principal impacts

- Missed business opportunities
- Non-renewal of contracts
- Reduced revenue
- Reduced margin
- Financial impact through obsolete stock and/or bad debts
- Cost base too high compared to revenue

Response to risk

- Potential effect of UK's departure from EU is subject to ongoing review by the Group Risk Committee, with particular short-term emphasis on foreign exchange volatility and hedging operations. New executive-level committee established to review risks and mitigations in more detail
- Commitment to excellent customer service and customer relations
- Deep understanding of the cost of service, allowing adjustable levels of service and customer price
- Implementation of debt management best practice following the centralisation of Group-wide collection functions at the Budapest Finance Shared Service Centre
- Monitor productivity, including KPIs on staff availability, utilisation, cross-charge efficiency and contractor ratio
- Enhanced tooling and subsequent reduction in manual activity to deliver cost reductions
- Monthly review by Management to assess sales teams' ongoing performance and future effectiveness

Risk owner

- Group Finance Director (GFD)
- Group Chief Commercial Officer (GCCO)
- Group Chief Operating Officer (GC00)
- Country Managing Directors (CMD)

5. PEOPLE RISK

Alert status

Unchanged risks



Risks

- Not recruiting and retaining the right calibre of staff across our customer-facing functions (GHRD)
- Inadequate succession planning or insufficient depth within key senior executive positions (GHRD/CEO)

Principal impacts

- Lack of adequate leadership
- Customer dissatisfaction
- Financial penalties
- Contract cancellations
- Reputational damage

Response to risk

- Succession planning in place for top 50 managers across the Group
- Regular remuneration benchmarking
- Incentive plans to aid retention
- Investment in management development programmes
- Regular staff surveys to understand and respond to employee issues

Risk owner

- Group Human Resources Director (GHRD)
- Chief Executive Officer (CEO)

Our performance in 2017

Continuing to invest in our capabilities

Financial performance

The Group's revenues increased by 16.9 per cent to £3,793.4 million (2016: £3,245.4 million), and were 12.0 per cent higher in constant currency².

The Group made a statutory profit before tax of £111.7 million, an increase of 28.2 per cent (2016: £87.1 million).

In 2017, we saw another record year of progress for the Group with adjusted¹ profit before tax exceeding £100 million for the first time. The Group's adjusted¹ profit before tax increased by 22.9 per cent to £106.2 million (2016: £86.4 million) and by 18.4 per cent in constant currency².

The Group's statutory diluted earnings per share increased by 27.2 per cent to 66.5 pence in 2017 (2016: 52.3 pence). The difference between statutory profit before tax and adjusted¹ profit before tax primarily relates to the Group's reported net gain of £5.7 million (2016: £1.4 million) from exceptional items. Further information on these can be found on page 51.

Adjusted¹ diluted earnings per share, the Group's primary measure, increased by 20.6 per cent to 65.1 pence.

Services performance

The Group's Services revenue increased by 11.5 per cent to £1,157.2 million (2016: £1,037.9 million), and was up 7.3 per cent on a constant currency² basis.

The UK Services business returned to growth in 2017 after a disappointing 2016 with Services revenues increasing by 6.2 per cent. The growth was led by the Professional Services business which continued the momentum seen towards the end of 2016 into and throughout 2017 with growth of 24.5 per cent driven primarily by a small number of key contracts within the Public Sector. Managed Services growth was 0.2 per cent, which does not reflect the excellent work of renewing and extending a number of key contracts, which increased the Contract Base in a market focused on cost reduction. The UK Contract Base increased by 3.9 per cent in 2017 which, coupled with opportunities currently in transition, and within the pipeline, leaves the business in a positive stance heading into 2018. The UK Services margins increased by 100 basis points during 2017. Continued efforts to reduce cost within

the Managed Services business, to match increasing customer expectations of innovation and price reduction on outsourced contracts, have been complemented by well managed recovery on Professional Services engagements, particularly given the level of growth seen during the year.

The German Services business grew by 6.8 per cent in constant currency², and by 14.4 per cent in reported pound sterling equivalents² during 2017. Professional Services was at maximum capacity through the year, with a significant balance of resources dedicated to assisting with take-on contracts in Managed Services. Coupled with increasing resource scarcity in the market place, this led to a more modest growth rate in 2017 when compared to 2016. Managed Services continued to focus on stabilising the difficult contracts of 2016, which performed broadly in line with expectations, and with completing three complex contract take-ons with two of these contracts having revenue recognition adjustments for short-term transformation losses within operating costs. A significant focus on contract renewals saw two of the Group's biggest contracts renewed with enhanced scope, which offset a weak year for new contract wins and resulted in an increase in the Contract Base of 1.9 per cent. German Services margins increased by 30 basis points but continue to materially lag those in the UK and remain both a source of frustration and opportunity for Management. Improving at contract take-on and executing difficult contracts would make a significant difference to the overall result, as the large majority of core performing contracts achieve acceptable margins.

The French Services business grew 15.3 per cent in constant currency², and by 23.4 per cent in reported pound sterling equivalents² during 2017. Whilst Professional Services remains small in a Group context, it has benefited from the recent Managed Services wins. The French Managed Services business performed well with the take-on of recent wins going very well and additional scope and contract length extensions assisting growth. The Contract Base fell by 9.7 per cent as at 31 December 2017, due to the loss of one key contract where the customer consolidated its supplier partner bases across its outsourced estate. The focus remains on growing the breadth of the Contract Base and reducing reliance on several very large customers.

The Belgian Services business grew 10.8 per cent in constant currency², and by 19.0 per cent in reported pound sterling equivalents², during 2017, due to increasing project activity with existing customers and the take-on of a new Managed Services customer.

It is worth noting that revenue for work performed by other Computacenter entities on behalf of several key French contracts has been reclassified to the French Segment. Historically these revenues have been recorded in the Segment where the associated underlying subsidiary recognises the revenues in its statutory accounts. For Segmental analysis, all of our offshore internal service provider entities (for example Computacenter USA) are allocated to the UK Segment apart from Computacenter Switzerland which is within the German Segment. As the work performed in certain offshore subsidiaries has grown within the UK Segment, Management decided to reallocate these revenues intersegmentally to reflect better where the portfolio coordination and operational responsibility lies and where the benefits should accrue. We have therefore restated the French and UK Managed Services revenue for 2016, to assist with understanding the growth in each business and to ensure period-on-period comparisons reflect true underlying growth. This has no impact on Group revenue or on Segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects. Further information on this Segmental revenue restatement can be found in note 4 to the Consolidated Financial Statements. All discussion within this Annual Report and Accounts on Segmental Managed Services revenues for the UK and France reflect this reclassification and resultant prior period restatement.

Supply Chain performance

The Group's Supply Chain revenue increased by 19.4 per cent to £2,636.2 million (2016: £2,207.5 million) and by 14.3 per cent on a constant currency² basis.

Revenues for the UK Supply Chain business accelerated through the second half of the year, building on an already strong start to 2017, and saw a full year increase of 10.1 per cent. Strong growth was seen in Software and Networking, offsetting a decline in Datacenter. The value-add that the Group provides to customers across hardware and software sales is reflected in our ability to remain agile in the marketplace, so we can respond to our

Group revenue by business type [%]



1. Workplace 22%
2. Datacenter & Networking 26%
3. Software 13%
4. Resold Services 8%
5. Professional Services 9%
6. Managed Services 22%

customers' changing priorities. During 2017, software sales have moved from a fifth of overall Supply Chain sales to more than a quarter during 2017 which has reshaped the margin mix within the UK. Software sales are typically lower margin than the average across the Supply Chain portfolio and UK Supply Chain margins reduced during the year as a result. Margins have also been impacted by some of the large volume deals during the year, which generated lower margins. As a result of these factors the margin fell by 90 basis points.

The German Supply Chain business delivered strong growth for the third year in a row, growing 19.7 per cent in constant currency² and by 28.5 per cent in reported pound sterling equivalents². We believe that the business was the local market leader in several segments, including Cloud, Networking and Security. Strong growth was seen across all business lines with particular success in Networking and Security. The return to growth of the Workplace business line was pleasing, as customers embrace digitalisation of their workplace and prepare for Windows 10 migration. German Supply Chain margins increased by 40 basis points and now lead the Group, as a result of the growth in higher margin product lines driving a positive change to the margin mix.

The French Supply Chain volumes reversed the decline of 2016 and were back at 2015 levels, as the deliberate reduction in customer base allowed us to focus on our target market. This led to revenue growing by 12.4 per cent in constant currency² and by 20.7 per cent in reported pound sterling equivalents². Volume growth has returned to a transformed business, which is now focused on an identified set of large Public Sector and Enterprise customers purchasing higher margin product, with more opportunity to add value. The refocused business is now intent on expanding the breadth of the customer base, within the defined segment, to reduce over reliance on several key customers, one of which is due for renewal during 2018. Pleasingly, the French Supply Chain margins in 2017 were broadly similar to the previous year, with only a 20 basis point decline as volume increased and mix shifted.

Belgium Supply Chain revenue decreased on a constant currency² basis by 2.4 per cent and increased by 4.5 per cent in reported pound sterling equivalents², with the business focused on lower volume, higher margin activities with a core set of repeat customers.

Throughout the Group, customer demand is driven by customers transforming their end user experience through digitalised workplaces, increasing investment in networking and security, and a continued move to private cloud that parallels the demand for public cloud services. This is all occurring in a marketplace that is another year closer to Windows 10 migration deadlines, as legacy Windows 7 moves closer to being out of support. This is driving workplace infrastructure refreshes and re-energising our Workplace business.

Strategic investment

To maintain its organic growth, Computacenter has continued to invest strategically, which has been a feature of recent years. Whilst the growth outlook for 2018 remains challenging after such a strong 2017, Management remains committed to this pace of investment in 2018. This will ensure the focus remains on the Group's longer-term prospects rather than short-term growth which could be artificially inflated by reducing investment to the detriment of the long term.

Our strategy is focused on enabling users and their business to make digital work. Just six months after announcing our sales and service partnership with ServiceNow, we have made a strategic acquisition to enhance our commitment to the ServiceNow platform, continuing to guide our customers on their digital transformation journey through integrated cloud services. The acquisition during the year of TeamUltra which implements Service Management software, and is a ServiceNow Gold Services partner, makes us one of the leaders in the ServiceNow Services partner ecosystem, benefiting from one of the most experienced pools of ServiceNow specialists in Europe with over 600 projects and implementations. The TeamUltra acquisition means that we can link ServiceNow's cloud-based Service Management platform for ITSM, customer service management, security operations, IT operations management and more, with Computacenter's award-winning Next Generation Service Desk (NGSD) and Digital Workplace offering, launched in 2015 and 2016 respectively.

At the beginning of the year, the Group bolstered its Professional Services business in Switzerland by acquiring local company cITius. Computacenter Switzerland has traditionally operated only with Managed Services customers. The acquisition has added

approximately one third to the headcount and introduced a Professional Services business to the country. The Group intends to expand its offerings in each core country, to include Managed Services, Professional Services and Supply Chain. With both Services businesses now in place in Switzerland, it will be significantly easier to add a Supply Chain capability in the future.

The new Kerpen warehouse and office complex facility is on schedule to open later in 2018. It will offer state-of-the-art premises for both our German headquarters and provide more capability and volume throughput to our Supply Chain business, which has reached the limits of our existing facility.

Outlook

The growth rates we recorded in 2017 meant we achieved record Group revenues, adjusted¹ profit before tax and adjusted¹ diluted EPS, and set ourselves a high bar to outperform in 2018. However, with a tailwind from the Return of Value completed in February 2018, we expect 2018 will be a year of progress in our primary measure of adjusted¹ diluted EPS.

We have seen good growth in our German business for the last few years, which we believe should continue with rising revenue from our Supply Chain business and margin improvement from our Services business. The UK business should return to operating profit growth in 2018, helped by recent contract wins and solid market conditions. In France, where we have experienced strong operating profit growth for the last two years, we expect 2018 to be challenging as we have significant contract renewals and we will not have the benefit of a particularly successful project that finished at the end of 2017. We are hopeful that we will grow our footprint beyond our current geographies more successfully in the coming years.

Across the Group, the two major trends that we have highlighted over the last few years have strengthened still further. Firstly, our customers' appetite to invest in digitalisation to enhance their customers' and users' experience continues to grow. Secondly, our customers increasingly want to reduce the ongoing cost of running their IT, by introducing more innovative solutions such as automation. These trends are driving Computacenter's growth in Supply Chain and Professional Services and are motivating us to invest, to enhance our competitiveness in Managed Services, which we are.



The UK had a strong return to revenue growth during 2017, driven predominantly by Supply Chain and Professional Services.



United Kingdom

Revenue (£m)

1,496.4

+8.8%

17	1,496.4
16	1,375.9
15	1,398.3
14	1,411.9
13	1,286.1

Adjusted¹ operating profit (£m)

-18.2%

38.3m

Services Contract Base (£m)

+3.9%

321.1m

Revenue by business type (%)



1. Workplace 21%
2. Datacenter & Networking 18%
3. Software 18%
4. Resold Services 9%
5. Professional Services 10%
6. Managed Services 24%

Revenues in the UK business increased by 8.8 per cent to £1,496.4 million (2016: £1,375.9 million).

The UK had a strong return to revenue growth during 2017, driven predominantly by Supply Chain and Professional Services.

Margins in the UK declined 40 basis points with total adjusted¹ gross profit falling from 14.7 per cent to 14.3 per cent of revenues. This reflected continued competitive pressures and a change in product mix towards lower margin software revenues. Services margins increased during the year due to several large Professional Services engagements leading to improved utilisation of the central resource engines.

This resulted in overall adjusted¹ gross profit growing by six per cent to £214.6 million (2016: £202.5 million).

Administrative expenses increased by 13.2 per cent, well ahead of the increase in adjusted¹ gross profit. As the UK, and the Group, returned to strong profit growth, the performance bonus and other variable pay attributable to Management and employees increased. The UK Segment continues to absorb the majority of the Group's strategic investment expenditure through its Consolidated Income Statement. Where permissible, certain Group Executive Management and Group governance costs are recharged to other Group Segments. However, the UK Segment continues to incur the majority of Group Executive Management and Group governance costs, as the Group is UK domiciled.

Overall, this resulted in adjusted¹ operating profit decreasing by 18.2 per cent to £38.3 million (2016: £46.8 million). There was no difference between adjusted¹ and statutory operating profit.

Services performance

The UK Services revenue increased 6.2 per cent to £505.8 million (2016: £476.1 million), with Professional Services growing 24.5 per cent and Managed Services showing 0.2 per cent growth.

The strong Professional Services revenue growth was driven by orders taken in late 2016, particularly in the Public Sector, which have been delivered and recognised during 2017. Our continued focus on ensuring support and delivering for our customers resulted in some margin erosion during the year.

The Professional Services business saw a significant increase in demand for Networking and Security consulting in 2017. This helped us to achieve our revenue targets and continue our journey towards helping customers deliver their digital strategies in a safe environment. Growth in Workplace was more modest than expected.



Neil Hall
Managing Director, UK



Members of the UK Country Unit Management Team

This was another busy year for Managed Service contract renewals, particularly in the Public Sector. We believe this reflects the business's quality of service and commitment to its customers. We remain aware, however, of customers continuing to bring renewal discussions forward, prior to the end of their initial term. Renewing contracts puts pressure on both revenue and margins within those contracts. In 2018, there are a number of key contract renewals to be undertaken and one significant low margin multinational contract, where the customer has made a decision to insource globally and early terminate the contract, and Computacenter, as one of the three global service providers will be impacted. This could have a circa £30 million impact on the overall Managed Services Contract Base but relatively small impact on profitability. We are focused on growing the Contract Base and pipeline, and delivering service quality and improvements that will support the renewal and extension of our current contracts. During the year, we were pleased to see a number of Managed Services wins, however the combined Annual Contract Value (ACV) of these were offset by losses and contracts renewed for lesser value, leading to a 3.9 per cent Contract Base growth. We are confident of successfully transitioning the new wins during the coming year.

We have continued to focus on the successful initiatives undertaken in 2016, to drive operational efficiency in the Managed Services business. In addition, we reviewed our central infrastructure delivery and design during the year, to focus on and enhance the end-to-end service capability.

In 2018, we expect significant Professional Services growth, fuelled by the increase in the Managed Service Contract Base with Security increasingly at the forefront of our customers' agendas.

New customers were added to our customer base during the year and the Managed Services renewals rate reflected our strong capabilities and offerings. Whilst the contract wins were pleasing, we are not satisfied with our growth rate in this area and as a result we have reviewed our approach and organisational structure across the business to align end-to-end sales and services management and delivery.

Supply Chain performance

The Supply Chain business had another year of contrasts. It grew by 5.0 per cent in the first half and by 14.3 per cent in the second half, with the fourth quarter delivering 18.0 per cent growth, driven by strong software performance. This resulted in 10.1 per cent growth for the full year, to £990.6 million (2016: £899.8 million), despite some component availability challenges towards the end of the year. Fulfilling these orders early in the new year gave rise to a positive start to 2018. Software revenues grew by 43.0 per cent in the year and represented 27.0 per cent of Supply Chain revenue in 2017 (2016: 20.8 per cent). Supply Chain revenues were particularly strong in both Workplace and Networking, with customer expenditure declining in Datacenter. Supply Chain margins again came under pressure, most notably in Workplace, but the Datacenter margin slightly improved despite the revenue decline.



LIBERTY GLOBAL®

Improving product development through a new private cloud

We worked with Liberty Global at every stage of designing and building their new private cloud, from strategic advice to network configuration. The new environment frees Liberty Global from a 12-month development cycle, so they can launch new features every month and enrich the experience of their 25 million customers.



Computacenter's creative and flexible approach enabled us to establish a cloud environment that accelerates innovation and boosts our competitive advantage.



Colin Miles

Vice President Datacenter Technology
Liberty Global
UK





**Inspiring creative
teamwork through
collaboration
infrastructure**

Innovation is key to Sennheiser's business plans. To connect its international teams and external partners through its Innovation Campus, we developed and implemented an integrated virtual meeting and office applications platform. This makes communication faster, improves collaboration and creates optimal conditions for the teams to work.



Computacenter completely understood our requirements and has become an IT partner we can truly rely on.



Thorsten Traupe
Head of IT Infrastructure
Sennheiser
Germany



We have seen ongoing strong customer spending on their infrastructure, based on the changes required by their digitalisation efforts.



Germany

Revenue (€m)

1,965.9

+15.5%

17	1,965.9
16	1,702.6
15	1,651.9
14	1,448.3
13	1,497.8

Adjusted¹ operating profit (€m)

+57.0%

68.3m

Services Contract Base (€m)

+1.9%

388.3m

Revenue by business type (%)



1. Workplace 16%
2. Datacenter & Networking 36%
3. Software 9%
4. Resold Services 9%
5. Professional Services 9%
6. Managed Services 21%

Total revenue increased by 15.5 per cent to €1,965.9 million (2016: €1,702.6 million), and by 23.9 per cent in reported pound sterling equivalents².

The German business performed well in 2017 and ended the year with financial performance ahead of our expectations. We have seen ongoing strong customer spending on their infrastructure, based on the changes required by their digitalisation efforts.

The good performance in 2017 was driven by a very strong Supply Chain business, which achieved double-digit growth. We strengthened our number one position in Germany for Cloud, Networking and Security infrastructure projects.

We also successfully renewed some of our biggest Services contracts and made progress in our existing business. Whilst we did not win much new Managed Services business in 2017, we have some exciting new deals in the pipeline, which should help to grow the business in the future.

Margins in Germany increased by 10 basis points with adjusted¹ gross profit increasing from 12.6 per cent to 12.7 per cent of revenues. Overall, Supply Chain margins improved during 2017, supported by our strong business mix towards Datacenter, Security and Networking. Stronger margins were seen within Networking and Security, while margins in Cloud and Datacenter were a little weaker, driven by two large procurement contracts, and margins were flat in our Workplace business.

Services margins slightly improved but not to the extent expected. The critical contracts in our Managed Services business that affected performance throughout 2016 have been stabilised and ended up as planned from a financial perspective. However, a small number of new business take-ons underperformed as they were more complex than anticipated and substantially impacted our overall Services margin in the short term. This resulted in overall adjusted¹ gross profit growing by 16.4 per cent to €249.6 million (2016: €214.4 million), and by 25.0 per cent in reported pound sterling equivalents².

Administrative expenses increased by 6.1 per cent to €181.3 million (2016: €170.9 million), and by 13.6 per cent in reported pound sterling equivalents². Whilst a pleasing overall performance and significantly lower than the increase in adjusted¹ gross profit, this was slightly more than planned. The increase was primarily driven by higher bonuses and commissions, due to the improved performance of the business. In addition, we have taken some restructuring costs to manage low performing areas. Overall headcount remained similar to 2016.



Reiner Louis
Managing Director, Germany



Members of the German Country Unit Management Team

Adjusted¹ operating profit for the German business increased by 57.0 per cent to €68.3 million (2016: €43.5 million), and by 69.9 per cent in reported pound sterling equivalents².

Statutory operating profit increased by 49.7 per cent to €69.9 million (2016: €46.7 million), and increased by 61.9 per cent in reported pound sterling equivalents².

We should be able to grow the Supply Chain business again in 2018, based on the strong German economy and our customers' ongoing investments into Network infrastructure, Security and Cloud, as well as increasing demands driven by Windows 10. Margin improvements in Managed Services will be driven by further stabilisation of difficult contracts and cost reduction. While resource shortages in the German market will be an ongoing challenge for the whole German IT industry and for Computacenter, overall the outlook remains positive.

Services performance

Services revenue grew by 6.8 per cent to €598.2 million (2016: €560.1 million), and grew by 14.4 per cent in reported pound sterling equivalents². This included growth of 2.2 per cent in Professional Services and 8.8 per cent in Managed Services, both on a constant currency² basis.

In 2017, the Managed Services business was focused on three areas. First of all, renewals, secondly, win new business and, thirdly, stabilising the known difficult contracts won in 2016. We have had success in the first area, renewing two of our biggest Services contracts. The first of these is providing all networking services worldwide for a large automotive manufacturer. The second is a global service desk for a leading aerospace multinational. This helped to secure the base and reflects our strong customer relationships and quality of service. Whilst renewing key contracts remains crucial, we have struggled to win further significant new Managed Services contracts in 2017 and this now becomes the major focus for 2018. The difficult contracts from 2016 have been stabilised, and the overall outcome for 2017 was in line with expectations. During 2017 three significant new Managed Service contract take-ons commenced following wins in 2016. One of these has gone well, however the other two have seen overruns in time and cost, leading to revenue recognition adjustments for short-term transformation losses within operating costs taken during 2017. These contracts remain a distraction for the Managed Services business.

Whilst our Professional Services business still has a high customer demand for technology projects, proof of concepts, migrations and rollouts, we continued to have difficulty sourcing the level of resources needed to address all these demands. This resourcing issue was further impacted by the support required from the Professional Services business to assist with the new take-ons in Managed Services which required more resources for longer, impacting the ability of Professional Services to address the demand for growth in their core portfolio.

In 2018, these take-ons will come to an end and we should have more capacity for running technology projects for other customers outside of the Managed Services environment. Professional Services activities on its own was dominated by services relating to the Digital Workplace, Security, and building and expanding Cloud infrastructures for our customers.

Supply Chain performance

Supply Chain revenue grew by 19.7 per cent to €1,367.7 million (2016: €1,142.5 million), and grew by 28.5 per cent in reported pound sterling equivalents².

The German Supply Chain business performed strongly in 2017, after an excellent 2016, and was the major driver for the overachievement in our overall performance.

All three business lines, Workplace, Cloud and Datacenter, and Networking and Security achieved double digit growth during 2017. We have seen an outperforming growth in Networking and Security compared to 2016. We believe that Computacenter is by far the biggest player in this market segment in Germany, as ranked by key vendor partners. As predicted we have also seen a growing Workplace business and demands in regards of Windows 10 migrations are still ahead of us. We see a strong momentum for 2018 to grow the business further.



Our Supply Chain business volume is back to the level we saw prior to our strategic decision to move away from high volume, low margin and working capital intensive activities.



France

Revenue (€m)

581.3

+13.0%

17	581.3
16	514.3
15	565.4
14	590.9
13	549.3

Adjusted¹ operating profit (€m)

+80.0%

6.3m

Services Contract Base (€m)

-9.7%

86.6m

Revenue by business type (%)



1. Workplace 44%
2. Datacenter & Networking 19%
3. Software 13%
4. Resold Services 3%
5. Professional Services 4%
6. Managed Services 17%

Total revenue increased by 13.0 per cent to €581.3 million [2016: €514.3 million], and by 21.3 per cent in reported pound sterling equivalents².

The French business performed well in 2017 and ended the year ahead of our expectations. This performance was driven by significant growth in both Services and Supply Chain. Our Supply Chain business volume is back to the level we saw prior to our strategic decision to move away from high volume, low margin and working capital intensive activities. Early in 2017, we successfully took on two new Managed Services contracts and both contributed well throughout the year.

After a few years of transforming our business model in France, we believe that our 2017 performance shows that our strategic investments have paid off. We are pleased with this performance and remain confident that our strategy is the right one. We will therefore continue to focus on large organisations, helping their IT decision makers to enable users with advanced support and guidance and supporting their businesses by delivering outstanding infrastructure services and solutions. However, we are also aware that 2018 will be a challenging year for our French business, as we have some important contract renewals ahead of us.

In this context, our alignment with our Group propositions and service capabilities remains key. To enforce this alignment and support further growth, we have signed off an investment plan for 2018 to increase significantly our resources in infrastructure solutions presales.

We appointed Arnaud Lepinois as the new Country Unit Director and successor to Lieven Bergmans. The handover process between Lieven and Arnaud started early in 2018 and will conclude on 1 July 2018.

Margins in France increased by 40 basis points with adjusted¹ gross profit increasing from 10.1 per cent to 10.5 per cent of revenues.

Services margins improved substantially over 2016, with several key Managed Services take-ons performing well. Supply Chain margins remained strong, albeit fractionally down from their 2016 record.

This resulted in overall adjusted¹ gross profit growing by 17.1 per cent to €60.9 million [2016: €52.0 million], and by 25.9 per cent in reported pound sterling equivalents².

Administrative expenses increased by 12.6 per cent to €54.6 million [2016: €48.5 million], and by 21.0 per cent in reported pound sterling equivalents², which was less than the increase in adjusted¹ gross profit. The increase was primarily due to variable pay growth related to the French performance.



Lieven Bergmans
Managing Director, France



Members of the French Country Unit Management Team

Adjusted¹ operating profit for the French business increased by 80.0 per cent to €6.3 million (2016: €3.5 million), and by 93.1 per cent in reported pound sterling equivalents².

Statutory operating profit increased by 200.0 per cent to €6.3 million (2016: €2.1 million), and increased by 229.4 per cent in reported pound sterling equivalents².

Services performance

Services revenue increased by 15.3 per cent to €119.7 million (2016: €103.8 million), and increased by 23.4 per cent in reported pound sterling equivalents².

Our expectations for our 2017 Managed Services performance were high and we were pleased to exceed even those ambitions. We achieved revenue growth of 16.6 per cent in constant currency² and 24.9 per cent in reported pound sterling equivalents². This performance was mainly driven by the successful implementation of the 2016 Managed Services wins and our ability to extend existing contracts with additional scope and projects.

The only disappointing aspects of the year were the loss of a key utility customer, due to its desire to consolidate suppliers, and only moderate success in winning further Managed Services opportunities to begin in 2018. This resulted in a decrease of 9.7 per cent in the Managed Services Contract Base at 31 December 2017, which creates a headwind for 2018 Managed Services growth. We are, however, encouraged by some wins in the Managed Services space at the end of 2017, such as a four-year end user support contract with Pole Emploi, the French governmental employment agency, and we have a promising short-term pipeline. In 2018, it will be of utmost importance to identify and win new Managed Services opportunities and to make our existing Contract Base future-proof, by driving innovation with our customers.

Although the volume of activity remains relatively small, our Professional Services business saw pleasing growth of 9.5 per cent in constant currency², with similar ambitions for growth in 2018. We are confident we can achieve this, as we have further refined our target customer base, improved vendor partnerships and defined a clear portfolio of solutions around Workplace, Mobility, Datacenter, Network and Security.

Supply Chain performance

In 2017, we restored Supply Chain volumes to their 2015 level, after an 11.0 per cent decline in constant currency² in 2016, due to the change in strategic approach. We achieved revenue growth in 2017 of 12.4 per cent to €461.6 million (2016: €410.5 million), and by 20.7 per cent in reported pound sterling equivalents².

Having achieved a real improvement in gross margin in the previous year, we were pleased to increase volumes in 2017 while maintaining this improved gross margin.

Improving our business mix towards Datacenter and Networking remains a priority and we made good progress in 2017, with revenue growth in Datacenter and Security of 31 per cent, compared to growth in Workplace of approximately 5 per cent.

We will continue to drive growth by securing our market share in the Public Sector and striving for ambitious growth in strategic private sector accounts.



Enabling user independence and innovation in a high availability service

We implemented a comprehensive digital workplace service, including remote and on-site support, for Pôle Emploi's 55,000 employees. By enabling users to take control of their workplace, digitalising the support interface and automating processes such as through chatbots, both employee engagement and productivity have been increased.



Computacenter convinced us of their ability to support our users and to accompany us on our innovation journey.



Gilles Collet
Purchasing Lead
Pôle Emploi
France





For the fifth consecutive year, we achieved the number one spot for End User Outsourcing in the Belgium-Luxembourg market.



Belgium

Revenue (€m)

70.8

+2.0%

17	70.8
16	69.4
15	67.6
14	65.4
13	56.8

Adjusted¹ operating profit (€m)

+25.0%

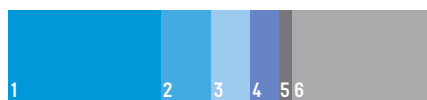
1.5m

Services Contract Base (€m)

+2.4%

21.6m

Revenue by business type (%)



1. Workplace 36%
2. Datacenter & Networking 12%
3. Software 9%
4. Resold Services 7%
5. Professional Services 3%
6. Managed Services 33%

The Belgian business performed well in 2017, which was in line with expectations, and continued to generate top line growth. Total revenue increased by 2.0 per cent to €70.8 million (2016: €69.4 million), and by 9.3 per cent in reported pound sterling equivalents².

Margins in Belgium increased by 110 basis points with adjusted¹ gross profit increasing from 13.2 per cent to 14.3 per cent of revenues. This resulted in overall adjusted¹ gross profit growing by 12.1 per cent to €10.2 million (2016: €9.1 million), and by 18.7 per cent in reported pound sterling equivalents².

Administrative expenses increased by 10.1 per cent to €8.7 million (2016: €7.9 million), and by 16.9 per cent in reported pound sterling equivalents², which was less than the increase in adjusted¹ gross profit.

Profitability in 2017 was affected by a minor restructuring exercise and by strategically important local investments, in order to take full advantage of Group capabilities and to raise efficiency in our local operations. The benefits of these investments are expected to materialise in 2018 and beyond, with the improvement of our solutions business and the momentum we see in the market.

Adjusted¹ operating profit for the Belgian business increased by 25.0 per cent to €1.5 million (2016: €1.2 million), and by 30.0 per cent in reported pound sterling equivalents².

Statutory operating profit increased by 27.3 per cent to €1.4 million (2016: €1.1 million), and increased by 33.3 per cent in reported pound sterling equivalents².

Services performance

Services revenue increased by 10.8 per cent to €25.6 million (2016: €23.1 million), and by 19.0 per cent in reported pound sterling equivalents². This included growth of 8.7 per cent in Professional Services and 11.1 per cent in Managed Services, both on a constant currency² basis. This increase was driven by additional projects with existing customers, as well as by the on-boarding of a new Managed Services customer in the automotive sector.

Through our Professional Services business we delivered a significant Unified Communication solution, enabling end user collaboration for an automotive customer. In addition, we delivered a mobile collaboration solution across different geographies for a customer in the pharmaceutical industry, enabling them to engage with their customers.

At the end of 2017, we renewed the end user Managed Services contract with a global customer in financial services for another four years. We believe this reflects our strong customer relationship and quality of service, which is also confirmed by the Whitelane satisfaction survey for 2017. For the fifth consecutive year, we achieved the number one spot for End User Outsourcing in the Belgium-Luxembourg market.

Supply Chain performance

Supply Chain revenue decreased by 2.4 per cent to €45.2 million (2016: €46.3 million), and grew by 4.5 per cent in reported pound sterling equivalents².

Whilst competition remains strong in the local market, we continue to benefit from the loyalty of our customers. Although revenue has decreased, our profitability in this segment has increased through a greater focus on delivering value to customers.



Jurgen Strijkers
Managing Director, Belgium

Group Finance Director's review

Maximising shareholder value

The Group result was underpinned by an improving performance in France, another strong result in Germany and was supported by recovering UK revenues.

The Supply Chain performance in Germany was the story in 2017 which exceeded our expectations and has grown significantly from what was a very good year in 2016. This was well supported by similar strong Supply Chain growth in both the UK and France as customers invest in new technology, in particular in the Security, Networking and Digitalisation. Professional Services growth in the UK led the Group, based on several key contracts. Demand for our Professional Services resources in Germany has outstripped our capacity to service new customers and assist with difficult Managed Services business take-ons. Managed Services growth was pleasing overall, although flat in the UK and with some difficult contracts in Germany reducing the expected margin.

Across all Segments and revenue lines, growth has been driven by the performance of key existing customer accounts, rather than the addition of new customers. Growth in 2017, particularly in Germany and France, was driven by a small group of well-performing accounts.

A reconciliation between key adjusted¹ and statutory measures is provided on page 49 of this Group Finance Director's review. Further details are provided in note 4 to the Consolidated Financial Statements, Segment Information. For the avoidance of duplication, further information on the Group's financial performance can be found on pages 36 to 47 of this Strategic Report.

Profit before tax

The Group's statutory profit before tax increased by 28.2 per cent to £111.7 million (2016: £87.1 million).

Adjusted¹ profit before tax increased by 22.9 per cent to £106.2 million (2016: £86.4 million) and by 18.4 per cent in constant currency².

The difference between statutory profit before tax and adjusted¹ profit before tax primarily relates to the Group's reported net gain of £5.7 million (2016: £1.4 million) from exceptional items. Further information on these can be found on page 51.

Profit for the year

The statutory profit for the year increased by 27.4 per cent to £81.3 million (2016: £63.8 million). The adjusted¹ profit for the year increased by 21.0 per cent to £79.6 million (2016: £65.8 million) and by 16.0 per cent in constant currency².



Tony Conophy
Group Finance Director

Reconciliation from statutory to adjusted¹ measures for the year ended 2017

	Statutory results £'000	Adjustments			Adjusted ¹ results £'000
		CSF interest £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	
Revenue	3,793,371	–	–	–	3,793,371
Cost of sales	(3,297,142)	(159)	–	–	(3,297,301)
Gross profit	496,229	(159)	–	–	496,070
Administrative expenses	(390,583)	–	–	–	(390,583)
Operating profit:					
Before amortisation of acquired intangibles and exceptional items	105,646	(159)	–	–	105,487
Amortisation of acquired intangibles	(225)	–	–	225	–
Exceptional items	1,371	–	–	(1,371)	–
Operating profit	106,792	(159)	–	(1,146)	105,487
Exceptional gain on disposal of an investment property	4,320	–	–	(4,320)	–
Finance income	1,521	–	–	–	1,521
Finance costs	(938)	159	–	–	(779)
Profit before tax	111,695	–	–	(5,466)	106,229
Income tax expense:					
Before exceptional items	(30,030)	–	3,457	(31)	(26,604)
Exceptional items	(351)	–	–	351	–
Profit for the year	81,314	–	3,457	(5,146)	79,625

Reconciliation from statutory to adjusted¹ measures for the year ended 2016

	Statutory results £'000	Adjustments			Adjusted ¹ results £'000
		CSF interest £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	
Revenue	3,245,397	–	–	–	3,245,397
Cost of sales	(2,817,350)	(219)	–	–	(2,817,569)
Gross profit	428,047	(219)	–	–	427,828
Administrative expenses	(341,668)	–	–	–	(341,668)
Operating profit:					
Before amortisation of acquired intangibles and exceptional items	86,379	(219)	–	–	86,160
Amortisation of acquired intangibles	(710)	–	–	710	–
Exceptional items	1,876	–	–	(1,876)	–
Operating profit	87,545	(219)	–	(1,166)	86,160
Exceptional loss on disposal of a subsidiary	(522)	–	–	522	–
Finance income	1,629	–	–	–	1,629
Finance costs	(1,579)	219	–	–	(1,360)
Profit before tax	87,073	–	–	(644)	86,429
Income tax expense:					
Before exceptional items	(23,108)	–	2,580	(72)	(20,600)
Exceptional items	(192)	–	–	192	–
Profit for the year	63,773	–	2,580	(524)	65,829

Revenue

	Half 1 £m	Half 2 £m	Total £m
2015	1,441.4	1,616.2	3,057.6
2016	1,478.2	1,767.2	3,245.4
2017	1,700.3	2,093.1	3,793.4
2017/16	15.0%	18.4%	16.9%

Adjusted¹ profit before tax

	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
2015	29.4	2.0%	57.8	3.6%	87.2	2.9%
2016	25.3	1.7%	61.1	3.5%	86.4	2.7%
2017	41.9	2.5%	64.3	3.1%	106.2	2.8%
2017/16	65.6%		5.2%		22.9%	

Revenue by Segment

	2017			2016		
	Half 1 £m	Half 2 £m	Total £m	Half 1 £m	Half 2 £m	Total £m
UK	678.3	818.1	1,496.4	652.7	739.0	1,391.7
Germany	762.9	962.1	1,725.0	607.8	784.4	1,392.2
France	228.6	281.3	509.9	193.2	211.5	404.7
Belgium	30.5	31.6	62.1	24.5	32.3	56.8
Total	1,700.3	2,093.1	3,793.4	1,478.2	1,767.2	3,245.4

Adjusted¹ operating profit by Segment

	2017					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	17.9	2.6%	20.4	2.5%	38.3	2.6%
Germany	21.7	2.8%	38.6	4.0%	60.3	3.5%
France	1.5	0.7%	4.1	1.5%	5.6	1.1%
Belgium	0.3	1.0%	1.0	3.2%	1.3	2.1%
Total	41.4	2.4%	64.1	3.1%	105.5	2.8%

	2016					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	14.0	2.1%	32.8	4.4%	46.8	3.4%
Germany	9.5	1.6%	26.0	3.3%	35.5	2.5%
France	0.9	0.5%	2.0	0.9%	2.9	0.7%
Belgium	0.6	2.4%	0.4	1.2%	1.0	1.8%
Total	25.0	1.7%	61.2	3.5%	86.2	2.7%

Net finance income

Net finance income in the year amounted to £0.6 million on a statutory basis (2016: income of £0.1 million).

The comparative 2016 finance income was impacted by a number of one-off items, including historical interest charges of £0.3 million relating to routine tax audits completed in Computacenter Germany.

On an adjusted¹ basis, prior to interest on customer-specific financing (CSF), net finance income was £0.7 million in 2017 (2016: income of £0.3 million).

Taxation

The adjusted¹ tax charge on ordinary activities was £26.6 million (2016: £20.6 million), on an adjusted¹ profit before tax of £106.2 million (2016: £86.4 million). The effective tax rate (ETR) was therefore 25.0 per cent (2016: 23.8 per cent) on an adjusted¹ basis. The 2017 ETR was higher than the previous year, primarily due to increasing cash tax in Germany as the historical tax losses readily available for use expire. The ETR is within the range of our expectations, albeit with a change in the geographic split of adjusted¹ profit before tax, with France's increasing return to profit, and Germany's continued profit growth being the primary variables.

The statutory tax charge was £30.4 million (2016: £23.3 million) on statutory profit before tax of £111.7 million (2016: £87.1 million). This represents a statutory tax rate of 27.2 per cent (2016: 26.8 per cent). The exceptional gain on the sale of the former RDC building in Braintree recorded in the statutory profit before tax for the year ended 31 December 2017 is not subject to taxation and is the major reason for the movement in the statutory tax rate being smaller than the movement in the adjusted¹ tax rate.

The Group's adjusted¹ tax rate has benefited from losses utilised on earnings in Germany and also from the reduced corporation tax rate in the UK. As the readily available German tax losses are utilised, the deferred tax asset, previously recognised as an exceptional tax item, is no longer replenishing. The utilisation of the asset has impacted the statutory tax rate but is considered to be outside of our adjusted¹ tax measure. In 2017, this impact increased the statutory tax rate by 3.1 per cent.

From 2018 onwards, we expect an increasing adjusted¹ tax rate, as the German cash tax rate is expected to increase when we utilise the last of the readily available losses in 2018, with a direct effect on the Group adjusted¹ ETR. At 2017 levels of profitability, the increase in German cash tax would raise the Group adjusted¹ ETR from 25.0 per cent in 2017 to 25.9 per cent in 2018, without regard to other factors that could influence the Group's adjusted¹ ETR.

The Group Tax Policy was updated during the year and approved by the Audit Committee and the Board. We make every effort to pay all the tax attributable to profits earned in each jurisdiction that we operate in. We do not artificially inflate or reduce profits in one jurisdiction to provide a beneficial tax result in another and maintain approved transfer pricing policies and programmes, to meet local compliance requirements, particularly given the implementation of the Group Operating Model. Virtually all of the statutory tax charge in 2017 was incurred in either the UK or German tax jurisdictions. Computacenter will recognise provisions and accruals in respect of tax where there is a degree of estimation and uncertainty, including where it relates to transfer pricing, such that a balance cannot fully be determined until accepted by the relevant tax authorities. There are no material tax risks across the Group. For 2017, the revised Group Transfer Pricing policy, implemented in 2016, resulted in a royalty payment charged by Computacenter UK to Computacenter Germany equivalent to one per cent of revenue or £17.4 million (2016: £14.2 million). This royalty charge was driven by our tax advisors' interpretation of the Organisation for Economic Co-operation and Development (OECD) base erosion and profit shifting requirements. As it is purely tax compliance driven, it is recorded outside the Segmental results found in note 4 to the Consolidated Financial Statements, Segment Information.

The table below reconciles the statutory tax charge to the adjusted¹ tax charge for the year ended 31 December 2017.

	2017 £'000	2016 £'000
Statutory tax charge	30,381	23,300
Adjustments to exclude:		
Utilisation of German deferred tax assets	[3,457]	[2,580]
Tax on amortisation of acquired intangibles	31	72
Tax on exceptional items	[351]	[192]
Adjusted¹ tax charge	26,604	20,600
Statutory ETR	27.2%	26.8%
Adjusted¹ ETR	25.0%	23.8%

Exceptional and other adjusting items

The net gain from exceptional and other adjusting items in the year was £5.5 million (2016: £1.4 million).

The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was associated with a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the £4.3 million gain on disposal, net of disposal costs, has been classified as exceptional.

The remaining provisions for the last two onerous contracts in Germany were released, for an exceptional gain of £1.4 million. These provisions were originally booked in 2013 and the contracts have now returned to profitability, so the provisions are no longer required. As these provisions were booked as exceptional items, this release has also been classified as such.

Earnings per share

Adjusted¹ diluted earnings per share increased from 54.0 pence in 2016 to 65.1 pence in 2017, due to the increased earnings within the business and despite a slightly higher diluted weighted average number of shares. The statutory diluted earnings per share increased from 52.3 pence in 2016 to 66.5 pence in 2017.

	2017	2016
Basic weighted average number of shares (excluding own shares held) (no.'000)	120,766	120,540
Effect of dilution:		
Share options	1,471	1,344
Diluted weighted average number of shares	122,237	121,884
Statutory profit for the year attributable to equity holders of the parent (£'000)	81,314	63,773
Basic earnings per share (pence)	67.3	52.9
Diluted earnings per share (pence)	66.5	52.3
Adjusted¹ profit for the year attributable to equity holders of the parent (£'000)	79,625	65,829
Adjusted ¹ basic earnings per share (pence)	65.9	54.6
Adjusted ¹ diluted earnings per share (pence)	65.1	54.0

Dividends

The Group remains highly cash generative and net funds³ continue to build on the Consolidated Balance Sheet. Computacenter's approach to capital management is to ensure that the Group has a robust capital base and maintains a strong credit rating, whilst aiming to maximise shareholder value. If further funds are not required to be available for investment within the business, either for fixed assets or working capital support, and the distributable reserves are available in the Parent Company, we will aim to return the additional cash to investors through one-off returns of value as we did in February 2018. Dividends are paid from the standalone Balance Sheet of the Parent Company, and as at 31 December 2017, the distributable reserves were approximately £298.9 million (2016: £262.5 million).

The Board is pleased to propose a final dividend of 18.7 pence per share. The interim dividend paid on 13 October 2017 was 7.4 pence per share. Together with the final dividend, this brings the total ordinary dividend for 2017 to 26.1 pence per share, representing a 17.6 per cent increase on the 2016 total dividend per share of 22.2 pence. The Board has consistently applied the Company's dividend policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times based on adjusted¹ diluted earnings per share. In 2017, the cover was 2.5 times (2016: 2.4 times).

Subject to the approval of shareholders at our Annual General Meeting on 18 May 2018, the proposed dividend will be paid on Friday 29 June 2018.

The dividend record date is set as Friday 1 June 2018 and the shares will be marked ex-dividend on 31 May 2018.

Capital management

Details of the Group's capital management policies are included in note 27 to the Consolidated Financial Statements.

Net funds

Net funds³ increased from £144.5 million at the end of 2016 to £191.2 million as at 31 December 2017.

The year-end cash position was again very strong. Working capital trends continue to affect cash volatility at the year end with higher fourth quarter product sales, longer credit terms offered to certain new product-based customers and an adverse revenue mix changing towards existing customers with longer credit terms.

The Group had no material borrowings except a specific facility of £10.7 million, drawn down in the second half of the year, for the build and purchase of our new German headquarters and logistics facility in Kerpen. This will increase to circa £32 million by the end of 2018.

The Group saw an increase in its overall cash generation from operations in 2017, with net cash flow from operating activities of £106.1 million (2016: £68.2 million).

Capital expenditure in the year was £40.0 million (2016: £22.6 million), primarily on the investment in our German headquarters, additional SAP Licence spend and other investments in IT equipment and software tools, to enable us to deliver improved service to our customers.

As reported in the Company's 2016 Annual Report and Accounts, the Group's net funds³ continue to benefit from extended credit terms with a major supplier and have done so for approximately nine years. The estimated benefit of these extended terms to the Group's net funds³ was £54.9 million at the year end (2016: £69.1 million). The amount of benefit at any one time fluctuates as a direct result of the volume of business with that vendor. These extended terms will be returning closer to standard terms during the first half of 2018, in line with all material partners of that significant vendor, resulting in a subsequent reduction in the Group's net funds³ of circa £27.5 million depending on volume with that vendor. The Group will continue to appropriately manage its cash and working capital positions using standard mechanisms to ensure that cash levels remain within expectations throughout 2018 and beyond.

In certain circumstances, the Group enters into customer contracts that are financed by leases or loans. The leases are secured only on the assets that they finance. Whilst the outstanding balance of CSF is included within net funds³ for statutory reporting purposes, this balance is offset by contracted future receipts from customers. Computacenter retains the credit risk on these customers and ensures that credit risk is only taken on customers with a strong credit rating.

CSF increased in the year from £3.9 million to £4.7 million. CSF remains low compared to historical levels, due to reduced customer demand in light of the current credit environment. Currently we apply a higher cost of finance to these transactions than customers' marginal cost of finance, however we intend to increase this business at an appropriate rate over time to take advantage of emerging opportunities in equipment leasing.

There were no interest-bearing trade payables at 31 December 2017. At 31 December 2016, the Group had interest-bearing trade payables of £13.3 million, where we took advantage of supplier extended payment-term credit facilities in the UK. This short-term position provided additional operational payment flexibility and was closed out shortly after the balance sheet date. The interest-bearing extended-term payable balances were classified within trade payables, and was therefore net funds³ enhancing, at 31 December 2016.

The Group's net funds³ position has no current asset investments (2016: £30 million) as this longer-term deposit was closed during the year in anticipation of the Return of Value of £100 million that we launched in January 2018. Net funds³ excluding CSF increased from £148.4 million to £195.9 million by the end of the year.

Financial instruments

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items that arise directly from its operations.

The Group enters into hedging transactions, principally forward exchange contracts or currency swaps to manage currency risks arising from the Group's operations and its sources of finance. As the Group continues to expand its global reach and benefit from lower cost operations in geographies such as South Africa, it has entered into forward exchange contracts to help manage cost increases due to currency movements. The Group's policy is not to undertake speculative trading in financial instruments. The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments

strategy is to manage these risks in order to minimise their impact on the Group's financial results. The policies for managing each of these risks are set out below. Further disclosures in line with the requirements of IFRS 7 are included in the Consolidated Financial Statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings 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.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements. The Group's positive net funds³ position was maintained throughout 2017, and at the year end was £195.9 million excluding CSF, and £191.2 million including CSF. Due to strong cash generation over the past three years, the Group can currently finance its requirements from its cash balance, and it operates an informal cash pooling arrangement for the majority of Group entities. During 2015, we extended an existing specific committed facility of £40.0 million for a three-year term through to February 2018. In January 2018, we extended the facility to £60.0 million for a further three years. The Group has never had to draw on this committed facility.

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

Foreign currency risk

The Group operates primarily in the United Kingdom, Germany and France, with smaller operations in Belgium, China, Hungary, India, Malaysia, Mexico, South Africa, Spain, Switzerland and the United States of America.

The Group uses an informal cash pooling facility to ensure that its operations outside the UK are adequately funded, where principal receipts and payments are denominated in euros. For those countries within the Eurozone, the level of non-euro denominated sales is small and, if material, the Group's policy is to eliminate currency exposure through forward currency contracts. For the UK, the majority of sales and purchases are denominated in sterling and any material trading exposures are eliminated through forward currency contracts.

The Group has been increasingly successful in winning international Services contracts, where Services are provided in multiple countries.

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

In 2017, the Group recognised a gain of £0.2 million (2016: £5.3 million) through other comprehensive income in relation to the changes in fair value of related forward currency contracts, where the cash flow hedges relating to firm commitments were assessed to be highly effective.

The Group reports its results in pounds sterling. The continued weakness in the value of sterling against most currencies during 2017, in particular the euro, has resulted in significant growth of our revenues and profitability as a result of the conversion of our foreign earnings. The impact of restating 2016 at 2017 exchange rates would be an increase of approximately £142.2 million in 2016 revenue and an increase of approximately £3.2 million in 2016 adjusted¹ profit before tax.

Credit risk

The Group principally manages credit risk through customer credit limits. The credit limit is set for each customer based on its creditworthiness, assessed by using credit rating agencies, 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.

There are no significant concentrations of credit risk within the Group. The Group's major customer, disclosed in note 4 to the Consolidated Financial Statements, consists of entities under the control of the UK Government. The maximum credit risk exposure relating to financial assets is represented by their carrying value as at the balance sheet date.

Return of Value Tender Offer

On 25 August 2017, Computacenter announced its interim results for the six-month period ended 30 June 2017, and that it intended to make a one-off return of value to shareholders of approximately £100 million (the 'Return of Value'). The Company subsequently announced on 14 November 2017 that the Return of Value would be undertaken by way of a Tender Offer for ordinary shares to be launched after the release of its full-year trading update in January 2018, which was released on 22 January 2018. On 23 January 2018, the Company published further details of the timing and structure of the Return of Value by way of a shareholder circular (the 'Circular').

Background

The cash generative nature of Computacenter's business enables the Company to have a consistent dividend policy and to periodically return additional value to shareholders. As stated in the Company's interim results for the six-month period ended 30 June 2017, the Company had a net cash balance in excess of its current needs. While the Company intends to continue to maintain a robust and prudent balance sheet, the Directors believed that it was appropriate to undertake a return of cash to shareholders.

Computacenter will continue to monitor its Consolidated Balance Sheet with the aim of maintaining an efficient capital structure, as it has done historically. Computacenter returned £74.4 million (which equated to approximately 39.0 pence per ordinary share), £75 million (which equated to approximately 48.7 pence per ordinary share) and £100 million (which equated to approximately 71.9 pence per ordinary share) to shareholders in 2006, 2013 and 2015 respectively, on each occasion by way of a one-off cash return via a B share structure.

Benefits of the Tender Offer

The Board decided to proceed with the Return of Value in the manner described in the Circular because, like the previous B share schemes implemented by the Company, the Tender Offer allows all shareholders to participate on a pro rata basis if they wish, but it also provides additional flexibility to shareholders as described below.

The benefits of the Tender Offer to shareholders as a whole were that:

- it gave those shareholders who wished to reduce their holding of ordinary shares an opportunity to do so, depending on the price at which they tendered ordinary shares and the subsequent scaling back of their tender; and
- it enabled those shareholders who did not wish to realise their investment in ordinary shares at that time to maintain their current investment in the Company.

Results of the Tender Offer

On 13 February 2018, the Company announced the results of the Tender Offer set out in the Circular which closed on 9 February 2018.

A total of 44,089,779 ordinary shares were validly tendered and, in accordance with the terms and conditions of the Tender Offer (as set out in the Circular), the Strike Price was determined to be 1170 pence. Accordingly, 8,546,861 ordinary shares were purchased at a price per Ordinary Share of 1170 pence, for a total cost of £99,998,273.70. This represented approximately 6.97 per cent of the issued share capital of the Company as at 31 December 2017.

As the Strike Price was determined to be the Minimum Price, only tenders of ordinary shares at 1170 pence or as Strike Price Tenders were accepted. Shareholders who tendered more than approximately 7.06 per cent of their holding, being their Guaranteed Entitlement, either at 1170 pence or as a Strike Price Tender, were scaled down by approximately 95.58 per cent of the number of excess ordinary shares so tendered.

Proceeds payable to the Company's shareholders for the certificated ordinary shares purchased under the Tender Offer were despatched by 19 February 2018 in the form of a cheque and CREST account holders had their CREST accounts credited on 14 February 2018.

As set out in the Circular, the 8,546,861 ordinary shares were purchased by Credit Suisse pursuant to the Tender Offer and the Company purchased such ordinary shares from Credit Suisse at the Strike Price on 14 February 2018. The Company holds the ordinary shares purchased pursuant to the Tender Offer in treasury. Immediately following the purchase, the Company's issued share capital consisted of 122,687,970 ordinary shares of 7½ pence each, each carrying one voting right, of which the Company held 8,546,861 ordinary shares in treasury.

As at 14 February 2018, the total number of voting rights in the Company which may be used by shareholders as the denominator for the calculations by which they can determine if they are required to notify their interest in, or a change to their interest in the Company, under the Disclosure and Transparency Rules, is 114,141,109. The percentage of voting rights attributable to those shares it holds in treasury following the share buy-back is 6.97 per cent.

Capitalised terms used in this section have the same meaning as ascribed to them in the Circular.

Planning for the United Kingdom exiting the European Union

Computacenter's target clients are large corporate customers and large government departments. We operate in three principal geographies, the UK, Germany and France. This allows us to manage EU requirements from our EU locations and we have a long history of trading with the subsidiaries of large global Western European headquartered organisations, in many diverse locations across the world. Therefore, the concept of exporting to and importing from multiple countries with the related systems requirements is already functioning across the business.

There remains considerable uncertainty around the exact nature and timing of the UK's exit from the EU, which makes it difficult to develop specific plans for the various potential outcomes. However, we have established a committee to consider the key risks and changes that may be required. It is likely that there will be additional investment required in IT systems to manage the transition. Whilst this will be a cost to Computacenter, it will also be an opportunity, as our customers, in some cases, may need to increase investment in a similar manner.

This committee is led by the Group Finance Director and includes senior staff from the key areas that may be affected including:

- Tax and treasury;
- HR, employment and related matters;
- Legal, including intellectual property and data protection;
- IT, including IT systems, location of IT infrastructure and location of data;
- Commercial Operations, Vendor relations and the potential impact of Waste Electrical and Electronic Equipment (WEEE); and
- Other financial matters and residual issues.

The committee met and reviewed papers submitted by the subject matter experts and has produced an action list, to identify ways to minimise the impact of this change. The minutes of the meetings and the subject-matter papers are reviewed at the Group Risk Committee and will be summarised for review at the Audit Committee.

Going Concern

Computacenter's business activities, business model, its strategic goals and its performance are set out within this Strategic Report on pages 1 to 55. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out within this Group Finance Director's review on pages 52 to 53. In addition, notes 26 and 27 to the Consolidated Financial Statements include Computacenter's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Directors have, after due consideration, a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the Consolidated Financial Statements as set out on pages 104 to 157 of this Annual Report and Accounts. Thus, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

Viability Statement

In accordance with provision C.2.2 of the Code, the Directors have assessed the Group's prospects over a longer period than the 12 months required by the Going Concern statement.

Viability timeframe

The Directors have assessed the Group's viability over a period of three years from 31 December 2017. This period was selected as an appropriate timeframe for the following reasons:

- The Group's rolling strategic review, as considered by the Board, covers a three-year period;
- The period is aligned to the length of the Group's Managed Services contracts, which are typically three to five years long;
- The short lifecycle and constantly evolving nature of the technology industry lends itself to a period not materially longer than three years; and
- The macroeconomic and political environment following the Referendum on leaving the European Union introduces greater uncertainty into a forecasting period longer than three years.

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

With regard to the principal risks set out on pages 30 to 35, the Directors remain assured that the business model will be valid beyond the period of this Viability Statement. There will continue to be demand for both our Professional and Managed Services businesses, and it is up to Management to ensure that the Group remains able to meet that demand at an appropriate cost to our customers. The Group's value-added product reselling business only appears vulnerable to disintermediation at the low end of the product range, as the Group continues to provide a valuable service to customers, as described on pages 12 to 13.

Prospects of the Group assessment process and key assumptions

The assessment of the Group's prospects derives from the annual strategic planning and review process. This begins with an annual away day for the Board, where Management presents the strategic review for discussion against the Group's current and future operating environments. High-level expectations for the following year are set with the Board's full involvement and are delivered to Management, who prepare the detailed bottom-up financial target for the following year.

On a rolling annual basis, the Board considers a three-year business plan consisting of the detailed bottom-up financial target for the following year (2018), and forecast information for two further years (2019 and 2020), which is driven by top-down assumptions overlaid on the detailed target year. Key assumptions used in formulating the forecast information include organic revenue growth, margin improvement and cost control, continued strategic investments through the Consolidated Income Statement, and forecast Group effective tax rates, with no changes to dividend policy or capital structure beyond what is known at the time of the forecast.

The three-year plan was last considered and approved by the Board on 14 December 2017, with amendments and enhancements considered and approved by the Board on 8 February 2018.

Impact of risks and assessment of viability

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

The potential impact of the principal risks and uncertainties, as set out on pages 30 to 35, is then applied to the sensitised three-year business plan. This assessment includes only those risks and uncertainties that, individually or in plausible combination, would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and which are considered to be severe, but reasonable scenarios. It also takes into account an assessment of how the risks are managed and the effectiveness of any mitigating actions. The combined effect of the potential occurrence of several of the most impactful risks and uncertainties is then compared to the cash position generated throughout the sensitised three-year plan, to assess whether the business will be able to continue in operation.

Conclusion

Based on the period and assessment above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due over the three-year period to 31 December 2020.

Fair, balanced and understandable

The UK Corporate Governance Code requires the Board to consider whether the Annual Report and Accounts, taken as a whole, are 'fair, balanced and understandable' and 'provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.'

Management undertakes a formal process through which it can provide comfort to the Board in making this statement.

This Strategic Report was approved by the Board on 13 March 2018 and signed on its behalf by:

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director



Governance Report

This section describes how we run Computacenter.

Our job, on your behalf, is to maintain effective governance practices which are fundamental to the Group's ability to deliver long-term shareholder value.

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Chairman's governance overview

Dear Shareholder,

I am pleased to present Computacenter's Corporate Governance Report for the year ended 31 December 2017. The Board believes that effective governance practices are fundamental in underpinning the Group's ability to deliver long-term shareholder value. The Board therefore supports and is committed to the principles of corporate governance set out in the 2016 UK Corporate Governance Code (the 'Code'), which has applied from 1 January 2017. The Code is published by the Financial Reporting Council and can be found at www.frc.org.uk.

This Corporate Governance Report outlines and explains the Group's governance policies and practices, and sets out how we applied the Code during the year. It aims to assist our shareholders in understanding the Group's approach to corporate governance.

As a Company listed on the main market of the London Stock Exchange, Computacenter is required by the Listing Rules and Disclosure and Transparency Rules of the UK Listing Authority, to review its practices against, and report to its shareholders on its compliance with, the provisions set out in the Code. The Board confirms that the Company has complied with each of the provisions of the Code throughout the year, and anticipates remaining compliant for the 2018 reporting period.

I would ask shareholders to note that, following the appointment of Peter Ryan to the Board as an additional independent Non-Executive Director on 13 February 2018, and the expected departure of Philip Yea on 24 April 2018, membership of the Computacenter plc Board will remain, throughout 2018, compliant with provision B1.2 of the Code, which requires at least half of the Board, excluding the Chairman, to be independent Non-Executive Directors.

Board composition

It is critical that the Board has the right composition, so it can provide the best possible leadership for the Group and discharge its duties to shareholders. This includes having the right balance of skills and experience, ensuring that all of the Directors have a good working knowledge of the Group's business, and that the Board retains its independence and objectivity.

The Board is unanimous in its view that all three of these factors will be enhanced by the appointment of Peter Ryan to the Computacenter plc Board. We were very pleased to welcome him onto the Board with effect from 13 February 2018. His significant operational expertise in large enterprises and deep knowledge of the Company's sector, and the challenges therein, complements the skills of our other Board members.



Peter [1961] has had a successful 37-year international career in technology encompassing all dimensions of the industry including software, services, systems integration, outsourcing and infrastructure. Over the last 10 years, Peter has held roles such as Chief Sales Officer with Hewlett Packard Enterprise, Chief Client Officer at Logica plc and Executive Vice President, Global Sales and Services with Sun Microsystems Inc. After starting his career at the Home Office, Peter undertook various senior management roles with Aspect Development Inc, Parametric Technology Ltd, IBM (UK) Ltd and ICL plc.

In accordance with the Company's procedure for new Directors, Peter has begun a full induction which is tailored to his knowledge and previous experience. This included meetings with the Chairmen of the Board and its Committees, the Group Chief Executive Officer (CEO) and Group Finance Director (FD). Given Peter's appointment to the Remuneration Committee, he was provided with a detailed briefing of Executive remuneration by the Group's Human Resources Director. Further, with his appointment to the Audit Committee, he also received presentations from a number of the Group's Financial Senior Management team. Peter will also join the Nomination Committee.



Greg Lock
Chairman

Board Committees





The Board recognises the benefits that diverse skills, experience and points of view can bring to an organisation, and how it may assist the Board's decision making and hence its effectiveness.



Strategy

The Board is collectively responsible for leading the Group and promoting its success, within a framework of appropriate controls, which enable risk to be assessed and effectively managed. It is also responsible for implementing the business model set out on pages 14 to 15, for ensuring that the Group has the right strategy to drive shareholder value, and for providing appropriate support and challenge to the Group Executive Management team. The Board continues to discuss the development of the Group's strategy at every Board meeting, with an additional day-long session each year, dedicated to receiving strategy-related presentations from senior Management.

Board effectiveness

An internal evaluation of the Board and its Committees has taken place during the year. Further details of the process and the findings can be found on page 63. After carefully considering its findings, I am satisfied that the Board continues to function effectively and that its current constitution and range of skills are appropriate for protecting the long-term interests of the Group and the Company's shareholders.

I also remain satisfied that the Board's members, and in particular the Non-Executive Directors, have sufficient time to undertake their current Board and Committee roles. I will continue to assess these judgements to ensure they remain the case.

In accordance with the Code, with the exception of Philip Yea who will not be standing for re-election, all of the Directors will stand for election or re-election at the 2018 Annual General Meeting (AGM).

Succession planning

The Board continues to focus at length on succession planning, which remains particularly important given the tenure of the current Executive Directors. Prior to the date of this report, the Board reviewed the succession plans for both the Executive and Non-Executive Directors. It also received a presentation from the Group Human Resources Director on how the Group manages and develops talent immediately below Board level, in the long-term interests of the Group.

Governance framework

As allowed by the Company's Articles of Association, the Board delegates a number of its responsibilities to Committees, so it can carry out its functions effectively. A diagram of the Board governance structure is set out on page 58. As part of its ongoing review of the Group's governance procedures and framework, the Board reviewed the terms of reference for each of these Committees. A number of the Group's policies were also reviewed and amended during the year. The detail and format of information provided to the Board by Management continues to develop.

Board visits

To help develop and update the Directors' knowledge of the Group's operations, the Board regularly visits our offices overseas. During the year, the Board held a meeting at the Group's office in Kerpen, Germany, where it received presentations from the German Managing Director and senior members of his team. This focused on the sustainability of the excellent Supply Chain performance, the prospects for margin improvements within the Services business, in light of several underperforming Managed Services contracts, and the construction of a new warehouse and headquarters office facility to replace existing premises.

Diversity

The Board recognises the benefits that diverse skills, experience and points of view can bring to an organisation, and how it may assist the Board's decision making and hence its effectiveness. Whilst the Board monitors the possibility of legislation in this area, appointments to the Board will continue to be primarily based on merit. As at 31 December 2017, the Board had two female Non-Executive Directors, Regine Stachelhaus and Ros Rivaz, representing 22.2 per cent of the total Board membership. This is in line with the representation as at 31 December 2016.

Shareholder engagement

The Board remains committed to communicating with our shareholders and, where appropriate, submitting its views for consultation and feedback. Further detail regarding engagement with our shareholders can be found on page 90.

Greg Lock

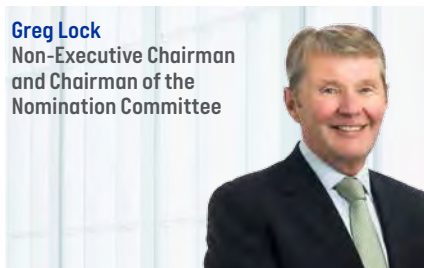
Non-Executive Chairman
13 March 2018

Board of Directors

A strong team

The appointment of Peter Ryan will bring an objectivity and fresh perspective on both new and existing business that the Board considers at its meetings, and will complement the continuity of service and knowledge of the Company brought by the remaining members of the Board. His significant operational expertise in large enterprises and deep knowledge of the Company's sector, and the challenges therein, complements the skills of our other Board members.

Greg Lock
Non-Executive Chairman
and Chairman of the
Nomination Committee



Committee membership: N, R
Board member attendance: 8/8

Greg (1947) is non-executive Chairman of UBM plc. He has more than 45 years' experience in the software and computer services industry, including seven years as Chairman of Kofax plc and four years as Chairman of SurfControl plc. From 1998 to 2000, he was General Manager of IBM's Global Industrial sector. Greg also served as a member of IBM's Worldwide Management Council and as a governor of the IBM Academy of Technology.

Mike Norris
Chief Executive Officer



Board member attendance: 8/8

Mike (1961) graduated with a degree in Computer Science and Mathematics from East Anglia University in 1983. He joined Computacenter in 1984 as a salesman in the City office. Following appointments in senior roles, he became Chief Executive in December 1994, with responsibility for all day-to-day activities and reporting channels across Computacenter. Mike also led the Company through flotation on the London Stock Exchange in 1998. Mike was awarded an honorary Doctorate of Science from the University of Hertfordshire in 2010.

Philip Hulme
Non-Executive Director



Board member attendance: 7/8

Philip (1948) founded Computacenter with Peter Ogden in 1981 and worked for the Company on a full-time basis until stepping down as Executive Chairman in 2001. He was previously a Vice President and Director of the Boston Consulting Group.

Regine Stachelhaus
Non-Executive Director



Committee membership: A, N, R
Board member attendance: 7/8

Regine (1955) is a member of the Board of SPIE SA in Cergy and SPIE Deutschland und Zentraleuropa GmbH, a member of the Supervisory Board of Covestro AG and Covestro Deutschland AG and a member of the Supervisory Board of Ceconomy AG. She was previously on the Board of Directors at E.ON SE, a major energy company included in the Eurostoxx 50 index, where she had a broad range of operational responsibilities including for Legal & Compliance, Group Procurement, Group Human Resources and Group IT. Before that, she worked for several years as Vice President, Imaging and Printing Group of HP Germany.



Tony Conophy
Group Finance Director

Board member attendance: 8/8

Tony (1958) has been a member of the Institute of Chartered Management Accountants since 1982. He qualified with Semperit (Ireland) Ltd and then worked for five years at Cape Industries plc. He joined Computacenter in 1987 as Financial Controller, rising in 1991 to General Manager of Finance. In 1996, he was appointed Finance and Commercial Director of Computacenter (UK) Limited with responsibility for all financial, purchasing and vendor relations activities. In March 1998 he was appointed Group Finance Director.



Philip Yea
Senior Independent
Non-Executive Director
and Chairman of the
Remuneration Committee

Committee membership: A, N, R
Board member attendance: 8/8

Philip (1954) is Chairman of Greene King plc and Equiniti Group plc and a Non-Executive Director of Marshall of Cambridge (Holdings) Limited and Aberdeen Asian Smaller Companies Investment Trust plc. He is also an independent trustee of the Francis Crick Institute. He has chaired a number of private and public companies and has significant previous Executive Management experience in both private equity and public companies, having served as the Chief Executive of 3i Group plc between 2004 and 2009. Prior to this, he was also the Finance Director at Diageo plc, the global drinks group.



Peter Ogden
Non-Executive Director

Board member attendance: 8/8

Peter (1947) founded Computacenter with Philip Hulme in 1981 and was Chairman of the Company until 1998, when he became a Non-Executive Director. Prior to founding Computacenter, he was a Managing Director of Morgan Stanley and Co.



Minnow Powell
Non-Executive Director
and Chairman of the
Audit Committee

Committee membership: A, N, R
Board member attendance: 8/8

Minnow (1954) is a Non-Executive Director and Chairman of the Audit Committee of Superdry plc. He was a Director and chaired the Audit Committee of Tui Travel plc from 2011 to 2014 and was a member of the Supervisory Board of Tui AG from December 2014 to February 2016. Minnow spent 35 years with Deloitte where he became a Partner in 1985. Minnow's audit client portfolio included companies within the same sector, and with similar business models, as Computacenter. He is a Chartered Accountant and was a member of the Auditing Practices Board for six years.



Ros Rivaz
Non-Executive Director

Committee membership: A, N, R
Board member attendance: 8/8

Ros (1955) is a Non-Executive Director of ConvaTec Group plc (where she is a member of the Remuneration and Nomination Committees), RPC Group plc (where she is a member of the Remuneration, Audit and Nomination Committees), Boparan Holdings Limited (where she is a member of the Audit and Remuneration Committees), and she is a Non-Executive Director on the MOD Defence Equipment and Support Board (where she is also a member of the Remuneration Committee). Ros stepped down from her position as the Deputy Chair of the Council of the University of Southampton after 10 years, where she holds an honorary doctorate. Ros served as the Chief Operating Officer for Smith & Nephew plc and has held senior management positions in global companies including Exxon, Diageo, ICI and Tate & Lyle Group.

Committee Membership Key

A – Audit Committee
N – Nomination Committee
R – Remuneration Committee

Corporate Governance Report

LEADERSHIP

The role of the Board

The Board is responsible for the Group's management and performance, and for providing effective leadership to it. There is a schedule of Matters Reserved for the Board, which includes considering and approving, amongst other things, acquisitions, major capital expenditure, Group strategy and budgets, the Group's Consolidated Financial Statements and its dividend policy. This schedule is reviewed annually as a standing Board agenda item and it was updated during 2017. It can be found on our website at investors.computacenter.com.

Day-to-day management and operational activities are delegated to an authorised Group Executive Committee including, amongst others, the Executive Directors, Group Chief Operating Officer and Group Chief Commercial Officer. Other Board-level matters are delegated to the Nomination, Audit and Remuneration Committees, details of which can be found on pages 64, 68 and 74 respectively. The Terms of Reference for each Committee can be obtained from our website, investors.computacenter.com, or from the Company Secretary, upon request. The composition of each Committee as at 31 December 2017 appears on pages 64, 68 and 80, as do reports from the Chairman of each Committee setting out the main responsibilities of their respective Committee and its main activities during the year.

The Board plays a key role in discussing, reviewing and approving the Group's strategic objectives. By reviewing the business plans and budgets submitted by the Executive Directors and senior Management, it ensures that adequate resources are in place to meet these aims. The Board reviews the performance of the Executive Directors and Group Executive Management against targets relating to these agreed objectives, including a monthly review of the financial performance of each of the Group's Country Units.

The Composition of the Board

The membership of the Board as at 31 December 2017 is set out on pages 60 to 61. On that date, the Board included seven Non-Executive Directors and two Executive Directors. The Directors' attendance at Board and Committee meetings is set out on pages 60, 61, 64, 68 and 80.

The Board has considered the independence of each Director, taking into account the guidance provided by the Code. The Chairman, Greg Lock, was considered by the Board to meet the independence criteria set out in the Code on appointment, and each of Minnow Powell, Ros

Rivaz, Regine Stachelhaus and Philip Yea are considered by the Board to be independent in their character and judgement.

There is no dominant individual or group of individuals on the Board influencing its decision-making ability and the Board is comfortable that each Director makes a valuable contribution to the Board.

Appointments to, and development of, the Board

The Nomination Committee leads the process for Board appointments. Further detail on the Committee's role, membership and work during the year is set out on page 64.

The Non-Executive Directors have all been appointed for three-year terms. The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and at each AGM. The Executive Directors are appointed on a rolling 12-month term. The terms and conditions of appointment of all Directors are available for inspection at the Company's registered office and at each AGM.

Whilst the Company's Articles of Association require a Director to be subject to election at the first AGM following his or her appointment and thereafter every third year, the Board has decided that, in accordance with the Code, all Directors should be subject to election or re-election at the Company's next AGM on 18 May 2018. All Directors will then be subject to election or re-election at each AGM thereafter. If the shareholders do not elect or re-elect a Director, or a Director is retired from office under the Articles, the appointment terminates immediately and without compensation.

Upon joining the Board, all Directors receive a comprehensive induction programme organised by the Company Secretary, tailored to their specific background and requirements. New Directors receive an induction pack which contains information on the Group's business, its structure and operations, Board procedures, corporate governance matters and details regarding Directors' duties and responsibilities. All new Directors are introduced to the Group's Executive Management team. New Directors are required to take advantage of opportunities to meet major shareholders.

The Chairman regularly liaises with each Director to discuss and agree their training and development needs. The Board is confident that all of its members have the knowledge, ability and experience to perform the functions required of a Director of a listed company.

Division of responsibilities

The roles of the Chairman and Chief Executive Officer (CEO) are separate and their responsibilities are clearly set out in writing, reviewed annually and agreed by

the Board. They are available for inspection on the Company's website at investors.computacenter.com.

In summary, the Chairman's role is to lead and manage the Board, and to help facilitate the Board's discussion of the Group's strategy. The Chairman actively encourages contributions from all Directors and is responsible for ensuring constructive interaction between the individual members of the Board. The Chairman is also responsible for setting the Board's agenda and ensuring that sufficient time is available for discussion of all agenda items and, in particular, strategic issues. The CEO is responsible for the day-to-day management of the Group's operations and for the proper execution of strategy, as set by the Board.

Senior Independent Director

Philip Yea is the Senior Independent Director. He acts as a sounding board for the Chairman and, where necessary, as an intermediary between the Chairman and other Directors. He is available to take representations from shareholders who do not want to raise their issue with the Chairman. Philip also leads the annual appraisal of the Chairman's performance, in consultation with the other Non-Executive Directors and without the Chairman being present. The feedback from this appraisal is discussed at a subsequent Board meeting.

The Board's key activities during the year

The Board held eight scheduled meetings during the year, to deal with the standing items on its agenda, including reviewing and discussing any information provided to it by senior Management. The Board views this as sufficient to discharge its duties effectively. The Chairman and Non-Executive Directors also met twice during the year, without the Executive Directors being present.

In 2017, the Board considered:

- Terms of Reference for each of its Committees;
- Annual and Interim Reports;
- Reports from the Committee Chairmen on the key activities of the Board Committees;
- The annual budget and three-year plan;
- The Viability Statement;
- Acquisition and disposal opportunities;
- Significant new Managed Services bids;
- Management's strategic planning and execution;
- The performance of the Group and Management; and
- Succession planning.

Insurance and indemnities

The Company arranges insurance cover in respect of legal action against the Directors and, to the extent allowed by legislation, has issued an indemnity to each Director against claims brought by third parties.

EFFECTIVENESS

Time commitment

The Non-Executive Directors' letters of appointment set out the expected time commitment required to execute their duties. Although the nature of the roles makes it difficult to be specific about the maximum time commitment, a commitment of up to two days per month is expected, including attendance at and preparations for regular Board meetings. In certain circumstances, for instance when the Company is engaged in acquisitions, restructuring or other corporate transactions, there may be additional Board meetings and Non-Executive Directors are expected to attend these where possible.

There has been no increase in the Chairman's significant external commitments during the year, which would affect the time he has to fulfil his role. In light of the internal Board evaluation completed for 2017, the Board is satisfied that each Director is able to allocate sufficient time to the Company to discharge his or her responsibilities effectively.

Provided the time commitment does not conflict with the Director's duties to the Company, the Board may authorise the Executive Directors to take Non-Executive positions in other companies and organisations, as this should broaden their experience. The Board would not agree to a full-time Executive Director taking on more than one Non-Executive Directorship of a FTSE 100 company or the Chairmanship of such a company. For the avoidance of doubt, no such positions have been taken by the Executive Directors. MJ Norris is a Director of the private company Triage Services Limited and has a material interest in it.

Information and support

All Directors receive appropriate documentation in advance of each of Board and Committee meeting. This includes detailed briefings on all matters, to enable Directors to discharge their duties effectively. Individual Directors can obtain independent professional advice, at the Company's expense, where they believe it is necessary to discharge their responsibilities. The Company Secretary ensures that the Board Committees are provided with sufficient resources to undertake their duties.

Where Directors have concerns which cannot be resolved, whether about the running of the Company or a proposed action, their concerns will be recorded in the Board minutes. On resignation, a Non-Executive Director would be required to provide a written statement to the Chairman, for circulation to the Board, if they had any such concerns.

The Company Secretary advises the Board on all corporate governance matters and advises the Chairman to ensure that all Board procedures are followed. All Directors have access to the advice and services of the Company Secretary. The appointment or removal of the Company Secretary requires Board approval.

Evaluation

The Board evaluates its effectiveness each year, as required by the Code. Between December 2017 and January 2018, the Company Secretary carried out an internal evaluation of the Board and each of its Committees. The review looked at key areas of responsibility including strategy, decision making, composition and dynamics, leadership, talent development and succession planning. The Board also reviewed the balance of skills and diversity.

The review took the form of a series of tailored online questionnaires, covering the Board and each Committee. The Chairmen of the Board and the Committees were able to review and shape both the questionnaires and the list of non-Board respondents, to make best use of the process. The questionnaire responses were collated and analysed before inclusion in a report to the Board. In February 2018, the Company Secretary presented this report to the Board and led a discussion of the key findings and the implications for the Board's development.

The evaluation found there to be open and constructive dialogue between Board members and a sound and challenging relationship between Non-Executive and Executive Directors. The Board is satisfied that there is a clearly articulated strategy and a good process for managing risk. Despite the encouragingly high scores, the Directors concluded that improvements could be made in one key area. The Board addressed the need to enhance their understanding of the Company's business model and strategy so that they are better able to monitor and contribute to the strategic direction of the Company. An action plan has therefore been drawn up, against which progress will be monitored regularly.

The Board is required by the Code to conduct an externally facilitated evaluation every three years. This was last carried out between December 2016 and January 2017. The Board anticipates that its next externally facilitated evaluation will be conducted over the period December 2019 to January 2020.

The Senior Independent Director, Philip Yea, reviewed the Chairman's performance with input from the other Non-Executive Directors, and the feedback was discussed formally at the following Board meeting.

NOMINATION COMMITTEE REPORT

Current members	Role	Attendance record
1. Greg Lock (Chairman)	Non-Executive Chairman of the Board	2/2
2. Minnow Powell	Non-Executive Director	2/2
3. Ros Rivaz	Non-Executive Director	2/2
4. Regine Stachelhaus	Non-Executive Director	2/2
5. Philip Yea	Non-Executive Director	2/2

Membership and attendance

The members of the Nomination Committee are the independent Non-Executive Directors and the Chairman of the Board. Further detail on the membership of the Committee and attendance at its meetings can be found directly above. However, the Committee seeks input from all the Directors and it involves the Board when performing its key responsibilities.

The Company Secretary is the secretary to the Committee.

Responsibilities of the Nomination Committee

The key responsibilities of the Nomination Committee are to assist the Board with:

- the search and selection process for the appointment of both Executive and Non-Executive Directors, and ensuring that any such process is formal and transparent;
- ensuring that the Board and its Committees have the right balance of skills, knowledge and experience to enable each to discharge its duties and responsibilities effectively;
- reviewing whether to recommend a Director for re-election at the Company's AGM;
- reviewing whether each Director has sufficient time to discharge his/her duty to the Company and its shareholders;
- succession planning for the Board and Senior Executives of the Group; and
- reviewing the membership of the Board's Committees.

The Committee's full terms of reference are available on the Company's website at investors.computacenter.com.

Main activities of the Committee in 2017

The Nomination Committee met on two occasions during 2017 and its work included the following:

Board appointment

Immediately following the 2017 AGM, the Board initiated a process to identify a new Chairman to succeed Greg Lock, who would have served 10 years by the time of the 2018 AGM. The Board felt it was important to identify a successor who could lead the Board in the coming years, when addressing Executive Director succession would be increasingly important.

No current Directors asked to be considered for the role. A Special Nomination Committee was tasked with leading the search process, comprising three independent Non-Executive Directors including the Senior Independent Director. After a competitive process, Spencer Stuart was appointed to assist in the preparation of the brief. Spencer Stuart is a global leader in assessment, recruitment and succession planning for boards of directors and had no connection with the Company other than providing this type of service.

Notwithstanding the quality of the process and an agreed specification, in the final stages of the search, irreconcilable differences emerged concerning the minimum criteria for a successful candidate. Consequently, the Board has asked the existing Chairman to continue in office, which he has agreed to do.

Greg Lock
Chairman of the Nomination Committee

As a result of the process and wider candidate search, conducted by Spencer Stuart, Peter Ryan was identified as a candidate for appointment as an independent Non-Executive Director, due to his deep sector experience. Prior to formally recommending his appointment to the Board, the Committee considered and agreed that he would be independent in character and judgement, as defined under provision B1.1 of the UK Corporate Governance Code. Peter was also appointed as a member of the Company's Remuneration, Nomination and Audit Committees all with effect from 13 February 2018.

Succession planning

The Committee focuses on effective succession planning to ensure the future prosperity of the Company, and this features as one of the Company's key risks within the Principal Risks disclosed on pages 30 to 35 of this Annual Report and Accounts. Developing future leaders and successor candidates is central to our strategy of creating and maintaining a culture that builds customer relationships. The Committee, whilst recognising that internal talent development is primarily the responsibility of Management, has reviewed Management's pipeline of executive talent, both for emergency use and its long-term potential.

Election and re-election of Directors

The Committee reviewed in detail the performance of the Directors who are standing for election or re-election at the Company's 2018 AGM. The results of the Company's most recent Board evaluation process were considered, alongside the contribution made by each individual, with the exercise being particularly rigorous in respect of Non-Executive Directors who have been in their role for six years or longer. Following this review, with the exception of Philip Yea who will not be standing for re-election, the Committee recommended that each Director on the Board as at 31 December 2017 be put forward for re-election by the Company's shareholders at the 2018 AGM. Additionally, it is proposed to put forward Peter Ryan for election at the 2018 AGM.

Diversity

The Committee, and the Board as a whole, continues to recognise the benefits that diverse skills, experience and points of view can bring to an organisation, and how diversity may assist the decision-making ability of the Board, thereby increasing its effectiveness. However, appointments to the Board will remain primarily based on merit, and it has not therefore set any measurable targets in this area. As at 31 December 2017, the Computacenter Board had two female Non-Executive Directors, Ros Rivaz and Regine Stachelhaus, representing 22.2 per cent of the total Board membership.

Greg Lock

Chairman of the Nomination Committee
13 March 2018

ACCOUNTABILITY

Financial and business reporting

The Directors are required to include the following in this report under the Code.

Please see:

- page 55 for the Board's statement on the Annual Report and Accounts being fair, balanced and understandable and providing the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- page 54 for the statement on the status of the Company and the Group as a going concern;
- the Strategic Report from the inside front cover to page 55 for an explanation of the Group's business model and the strategy for delivering the Group's objectives; and
- the confirmation that the Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, is below.

Risk management

The Board has carried out a robust assessment of the principal risks facing the Group, including those that threaten its business model, future performance, solvency or liquidity. Please refer to pages 30 to 35 for further information on the Group's principal risks and uncertainties, including how they are being managed and mitigated.

The primary responsibility for identifying and managing the risks faced by the Group lies with Executive and senior Management. A comprehensive risk management programme has been developed and is monitored by the Group Risk Committee, whose members include senior operational managers from across the Group, the Group Finance Director and the Group Head of Internal Audit and Risk. The Group Chief Operating Officer chairs the Committee.

The Board sets the Group's risk appetite and, through the Audit Committee, reviews the operation and effectiveness of the Group's risk management activities. The Board receives regular reports from the Group Risk Committee and periodically reviews the strategic risks faced by the Group and its key mitigation plans.

Through a programme of assessment, appropriate measures and systems of control are maintained and, where necessary, developed and implemented. Detailed business interruption contingency plans are in place for all key sites and these are regularly tested, in accordance with an agreed schedule.

As a sales-led and customer-focused organisation, effective risk management processes are vital to the Group's continued success. Therefore, the Board continues to apply a robust risk management and governance model to provide assurance over the principal risks that might affect the achievement of the Group's strategic objectives.

These strategic objectives are focused on improving the services business and maintaining the longevity of the Group's customer relationships, which in turn rely heavily on the contribution made by the Group's customer-facing staff and those involved in innovation and design. The Group's risk management approach recognises this, ensuring that risks are identified and mitigated at the appropriate level, leaving individuals empowered to make their vital contributions.

The model and process comply fully with the UK Corporate Governance Code and the Financial Reporting Council Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Group's model uses the well-defined Three Lines of Defence methodology:

- The First Line of Defence consists of operational management, who own the risks and apply the internal controls necessary for managing risks day-to-day.
- The Second Line of Defence offers guidance and direction and provides oversight and challenge at the appropriate level. Internal compliance and assurance functions fall into this category.
- The Third Line of Defence, provided by Group Internal Audit, gives an independent view of the effectiveness of the risk management and internal control processes. It reports to the Audit Committee to ensure independence from Management.

The Board reviews the operating effectiveness of the risk management model by directing the reinforcement of the processes that underpin it and by making sure it is embedded across all levels of the organisation. Examples of this include:

- The Schedule of Matters Reserved for the Board ensures that the Directors properly address all significant factors affecting Group strategy, structure, financing and contracts.
- The Board and Executive Committee consider the principal risks, which are the barriers to achieving the Board's strategic objectives.
- The Group Risk Committee, consisting of the Executive Directors, members of the Group Executive Committee and senior managers from across the Group, challenges the effectiveness of the mitigations of the principal risks.

- The Group Risk Committee considers each principal risk in-depth at least once a year, by receiving reports from the risk owner.
- The Group Risk Committee's deliberations, along with the current status of each principal risk, are reported to the Audit Committee and the Board.
- The principal risk list is reviewed once a year and leverages a bottom-up annual operational risk review, where operational management identify their everyday risks.
- The Group Compliance Steering Committee, which was added to the governance model during 2016, assesses observance with laws and regulations, and reports to the Group Risk Committee.
- The bid governance process reviews bids or major changes to existing contracts, which aligns with the Group's risk appetite and risk management process.

There have been several enhancements to the risk framework and processes over the last year including:

- Improvements in the governance of contracts that were formulated during 2017 will be implemented during 2018.
- High-level and emerging risks have been elevated to standing agenda items for the Group Risk Committee. This includes cyber risk, the risk surrounding the UK's departure from the EU and compliance with the General Data Protection Regulation – GDPR, which the Group has recognised as a new risk this year. A committee has been formed to consider risks surrounding departure from the EU more fully.
- Cyber risk reporting has been improved.

Internal control

The Board has overall responsibility for maintaining and reviewing the Group's systems of internal control, ensuring that the controls are robust and enable risks to be appropriately assessed and managed. The Group's systems and controls are designed to manage risks, safeguard the Group's assets and ensure information used in the business and for publication is reliable. This system of control is designed to reduce the risk of failure to achieve business objectives to a level consistent with the Board's risk appetite, rather than eliminate that risk, and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board conducts an annual review of the effectiveness of the systems of internal control, including financial, operational and compliance controls and risk management systems. In the Board's opinion, the Group has complied with the Code's internal control requirements throughout the year. Where material weaknesses or opportunities for improvement are identified, changes are implemented and monitored.

All systems of internal control are designed to continuously identify, evaluate and manage significant risks faced by the Group. The key elements of the Group's controls are detailed below.

Responsibilities and authority structure

As discussed above, the Board has overall responsibility for making strategic decisions. There is a written schedule of Matters Reserved for the Board.

The Group Executive Committee meets formally on a quarterly basis and, more informally, on a fortnightly basis, to discuss day-to-day operational matters. With the Group Operating Model now having been implemented across all of the Group's main operating entities, ultimate authority and responsibility for operational governance sits at Group level.

The Group operates defined authorisation and approval processes throughout its operations. Access controls continue to improve, where processes have been automated to secure data. Management information systems have been developed to identify risks and to enable assessment of the effectiveness of the systems of internal control. Accountability is reinforced, and further scrutiny of costs and revenues encouraged, by the linking of staff incentives to customer satisfaction and profitability.

Proposals for capital expenditure are properly reviewed and authorised, based on the Group's procedures and documented authority levels. The cases for all investment projects are reviewed and approved at divisional level. Major investment projects are subject to Board approval, and Board input and approval is required for all merger and acquisition proposals.

Planning and reporting processes

Each year, senior Management prepares or updates the three-year strategic plan, which is then reviewed by the Board. The comprehensive annual budgeting process is subject to Board approval. Performance is monitored through a rigorous and detailed financial and management reporting system, through which monthly results are reviewed against budgets, agreed targets and, where appropriate, data for past periods. The results and explanations for variances are regularly reported to the Board and appropriate action is taken where variances arise.

Management and specialists within the Finance Department are responsible for ensuring that the Group maintains appropriate financial records and processes, which ensure that financial information is relevant, reliable, in accordance with applicable laws and regulations, and distributed internally and

externally in a timely manner. Management reviews the Consolidated Financial Statements, to ensure that the Group's financial position and results are appropriately reflected. The Audit Committee reviews all financial information published by the Group.

Centralised treasury function

The Board has established and regularly reviews key treasury policies, which cover matters such as counterparty exposure, borrowing arrangements and foreign exchange exposure management. The Group Treasury Function manages liquidity and borrowing facilities for customer specific requirements, ongoing capital expenditure and working capital. The Group Treasury Function reports to the Group Finance Director, with regular reporting to the Audit Committee.

The Group Treasury Committee enhances Management oversight. It is responsible for the ongoing review of treasury policy and strategy, and for recommending any policy changes for Board approval. The Committee approves, on an ad hoc basis, any Treasury activities which are not covered by existing policies or which are Matters Reserved for the Board, and also monitors hedging activities for effectiveness. The Committee is chaired by the Group Finance Director and also comprises the Group Financial Controller, the Group Head of Financial Reporting and the Group Head of Tax and Treasury.

Quality and integrity of staff

The Group's rigorous recruitment procedures ensure that new employees are of a suitable calibre. Management continuously monitors training requirements and ongoing appraisals ensure that required standards are maintained across the Group. Resource requirements are identified by managers and reviewed by senior Management.

Compliance policies

The Group has a number of compliance policies, including those relating to Business Ethics and Anti-bribery and Anti-corruption. Any breach of these policies by an employee is a disciplinary matter and is dealt with accordingly. The internal control regime is supported by a whistleblowing function, which is now operated by an independent third party.

The Compliance Steering Committee supervises compliance-related activity and issues across the Group and supports the Group Risk Committee in that regard.

Audit Committee and the auditor

For further information on the Company's compliance with the Code provisions relating to the Audit Committee, Group auditor and Internal Audit, please refer to the Audit Committee report on pages 68 to 73.

AUDIT COMMITTEE REPORT

Current members	Role	Attendance record
1. Minnow Powell (Chairman)	Non-Executive Director	4/4
2. Ros Rivaz	Non-Executive Director	4/4
3. Regine Stachelhaus	Non-Executive Director	3/4
4. Philip Yea	Non-Executive Director	4/4

Composition of the Committee

As at 31 December 2017, the Audit Committee comprised the four independent Non-Executive Directors. All members are considered to be appropriately qualified and experienced to fulfil their role and allow the Committee to perform its duties effectively. For the purposes of Code provision C.3.1, two members of the Committee, Minnow Powell and Philip Yea, are considered to have recent and relevant financial experience. The Committee notes the compositional requirements of the 2016 Code and confirms that, after having considered the requirements against feedback provided through the Board and Committee effectiveness review, the Committee as a whole has competence relevant to the sector in which the Company operates. Further details of specific relevant experience can be found in the Directors' biographies on pages 60 and 61.

Meetings of the Committee

The Committee met four times during 2017. Meetings are attended routinely by the Chairman of the Board, Group Finance Director, Group Head of Financial Reporting, the Group Head of Internal Audit & Risk Management and the external auditor. The meetings cover a standing list of agenda items, which is based on the Committee's Terms of Reference, and consider additional matters when I deem it necessary, as Chairman of the Committee. Meetings are also attended by the Group Company Secretary, who acts as Secretary to the Committee.

I am satisfied that the flow of supporting information to the Committee is appropriate and provided in good time to allow members sufficient opportunity to review matters due for consideration at each Committee meeting. I am also satisfied that meetings were scheduled to allow sufficient time to enable full and informed debate.

In addition to the Committee meetings, I also met privately on occasion with individual members of Management during the year, principally to discuss the risks and challenges faced by the business and, importantly, how these are being addressed. On two occasions during the year, the Committee met separately with the external auditor and the Group Head of Internal Audit and Risk Management, without Management present.



Minnow Powell
Chairman of the Audit Committee

Principal responsibilities of the Committee

Immediately following each Committee meeting, I report to the Board on the Committee's activities and how it is discharging its responsibilities as set out in its terms of reference, which can be found on the Company's website: investors.computacenter.com.

The Committee's main responsibilities during the year, as set out in the Code, were to:

- monitor the integrity of the Company's Financial Statements and any formal announcements related to the Company's financial performance, and to review any significant financial reporting judgements contained therein;
- review the effectiveness of internal controls and of the risk management framework;
- review the effectiveness of the Company's Internal Audit;
- review arrangements by which employees may, in confidence, raise concerns about possible improprieties relating to financial or other matters, and ensure that arrangements are in place for the proportionate and independent investigation of such matters;
- review, on an ongoing basis, the Company's relationship with its external auditor, including monitoring its independence and objectivity and the effectiveness of the audit process, ensuring that an appropriate policy is in place concerning any engagement of the auditor for the provision of non-audit services to the Company, and making recommendations to the Board in respect of the appointment, reappointment and removal of the auditor and the remuneration paid to it by the Company; and
- advise the Board, to enable it to report on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Activities of the Committee

The Committee's activities during the year, which are based upon its Terms of Reference, are set out below:

Future financial reporting standards and judgements

During the year the Committee monitored Management's plans and progress in relation to three new accounting standards as set out below. In reviewing the implications of the new standards the Committee also took account of the views of the external auditor, KPMG LLP.

New revenue recognition standard (IFRS 15) effective 1 January 2018

In March 2017, the Committee received a presentation on IFRS 15 from PwC, who had been selected after a competitive tender, which informed the disclosure in note 2 to the Consolidated Financial Statements of the 2016 Annual Report and Accounts.

Throughout the year, the Committee monitored progress towards implementation of the forthcoming IFRS 15 standard, as a standing item at each Committee meeting.

Following the publication of both the 2016 Annual Report and Accounts and the 2017 Interim Report and Accounts, where we highlighted our preliminary analysis of the impact of transition to IFRS 15, further analysis has been performed by Management and reviewed by the Committee.

Management's preliminary assessment was based upon the Company's general contractual terms and conditions and concluded that there was a finely balanced judgement which would result in a change in presentation of our Supply Chain Software revenues and, potentially, certain Resold Service revenues to 'agency' revenue on a net basis compared to the current presentation as gross 'principal' revenue.

Following further evaluation, including detailed analysis of how terms and conditions are applied in practice, the weighting applied to the agent/principal indicators and evaluation of emerging practice, Management concluded that, whilst this remains a finely balanced judgement, no change to the presentation of those revenue streams is required on transition to IFRS 15. After review of the analysis, the Committee accepted Management's recommendations that revenue for these items will continue to be presented gross from 1 January 2018.

The Committee met with PwC, who were in agreement with the revised position and the treatment as gross revenues. The Committee noted that the Company had, in the past, had to remedy a situation where a software customer had been having difficulty with purchased licences and looked to the Company to resolve the difficulty, as evidence of more commercial risk than agency revenue implies. It was further noted that the Supply Chain business model of the Company, which is to operate flexibly between customers and vendors, supported this conclusion. KPMG LLP confirmed to the Committee that the gross treatment of software and certain resold services was not out of line with peers and that KPMG LLP were comfortable based on the evidence presented to reach the same conclusion as Management, subject to detailed audit testing. The Committee was satisfied that Management had conducted numerous meetings involving KPMG LLP, the IFRS 15 advisors, PwC, and myself as evidence that Management had followed a lengthy and rigorous process.

The Committee was updated by Management on a series of consultations held with the senior finance leaders of a number of competitors in the European reseller market. It was noted that the other reseller organisations would also be adopting a gross recognition approach to the agent/principal aspect of revenue recognition on software and direct delivery shipments. The other resellers acknowledged that it was a finely balanced judgement, but that the value-add nature of the 'channel' meant that gross recognition was appropriate.

Outside of the Audit Committee meetings, I met Management, the accounting firm, PwC, assisting with the implementation and the Group's external auditor, KPMG LLP, to review progress, challenge findings and encourage the process. At its December 2017 meeting, the Committee reviewed and approved the treatment of each identified GAAP difference.

New lease accounting standard (IFRS 16) effective 1 January 2019

The Committee reviewed the initial impact assessment presented by Management and requested a further overview presentation from the external auditor. The Committee is reassured by the steps taken by Management to date in preparing for the implementation and continues to monitor progress with the IFRS 16 implementation. The implementation has been added to the standing agenda items for each Audit Committee meeting in 2018.

New financial instruments standard (IFRS 9) effective 1 January 2018

The Committee requested an update from both the external auditor and Management on implementation readiness for IFRS 9. Whilst the impact of the standard was not considered to be comparable to that of IFRS 15 and IFRS 16, the Committee noted several areas of change and directed Management to continue to focus on these.

Current financial reporting standards and judgements

The Committee reviewed the integrity of the Group's Consolidated Financial Statements and, in doing so, considered the following key judgements made in their preparation. In reviewing these matters, the Committee also took account of the view of the external auditor, KPMG LLP.

Acquisition accounting

During the year, the Group acquired ciTius AG in Switzerland and TeamUltra Ltd in the UK. The Committee reviewed the acquisition accounting judgements and noted that there were no differences between the provisional fair values and the book values at acquisition.

The Committee was satisfied with Management's assessment that it is highly probable that the maximum contingent consideration will become payable and accordingly the discounted maximum contingent consideration has been included in determining the provisional fair value to the Group for TeamUltra, and the final fair value to the Group for cITius.

The Committee noted the lack of identified intangible assets acquired as appropriate, given Management's review and the materiality of the acquisitions in total. This is consistent with the basis on which the Company decided to make these investments, which was to strengthen the Services offerings in both cases. The Committee enquired into whether a contingent consideration was actually consideration or remuneration and concluded it was consideration, on the basis that individuals who were selling shareholders due to the contingent consideration were not required to remain in employment post-acquisition.

The initial accounting for the TeamUltra acquisition has only been provisionally determined at the end of the reporting period and the Committee will further review final positions close to the anniversary of the acquisition date. The accounting of the cITius acquisition is now complete and there were no changes to the fair values and the book values at acquisition.

Segmental information restatement

During the year, the Committee reviewed the basis for the revenue reclassification of several key French Managed Services contracts from the UK to the French Segment and the resultant prior period adjustment. The Committee was satisfied that this had no impact on Group revenue or on Segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects and that the change assists users of the accounts to understand better the underlying performance of each Segment.

As the Group grows in both operational and geographical complexity, Management will continue to monitor the relevance of the IAS 8 Segments that the Group reports under and will, as needed, make appropriate recommendations to the Committee and the Board.

Professional Services and Managed Services contract accounting

The Committee continued to focus on Services contract accounting during the year. It received a standing item update at each meeting from Management on a number of material contracts across the Group's major geographies. These contracts were selected due to performance being lower than anticipated at the bid stage of the contract, or where there were complex revenue recognition elements to the contract.

The Committee remains satisfied with the revenue recognition accounting judgements but will continue to monitor the performance of several contracts, in part to ensure that appropriate responses are formulated to address material lessons from the execution of these contracts.

Supply Chain revenue recognition and cut-off procedures

Given the level of sales around year end, the Audit Committee suggested to the auditor that it should pay particular attention to Supply Chain revenue cut-off.

The Committee was pleased to note that no errors were found as a result of the auditor's work in this area.

Exceptional and other adjusting items

The Committee considered the nature and quantum of those items disclosed as exceptional or as other adjusting items outside of adjusted¹ profit before tax in the Group's 2017 Annual Report and Accounts.

The Committee monitored the progress of the Group's two remaining onerous contracts in Germany, by reviewing the history of the provisions originally booked in 2013 and the performance of the contracts. The Committee reviewed Management's judgements regarding the continuing uplift in operational and financial performance and agreed that as the contracts have now returned to profitability, the remaining provisions for the contracts should be released, for an exceptional gain of £1.4 million. The Committee was satisfied that the release should be classified as exceptional, as the provisions were originally booked as exceptional items and several previous releases were also classified as such.

The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was let to a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the Committee agreed with Management's view that the £4.3 million gain on disposal, net of disposal costs, was to be classed as exceptional.

The Committee also considered the presentation of adjusted¹ profit in the first half of the Annual Report and Accounts, after taking account of the European Securities and Markets Authority Guidelines on Alternative Performance Measures, which promote the usefulness and transparency of such measures. The Committee remains satisfied with the detailed reconciliation between statutory and adjusted¹ measures that the Group has presented since the 2015 Interim Report, and the level of disclosure which explains both the variances between these measures and the reasons behind such

variances. The Committee concluded that the presentation of adjusted¹ profit gave clarity on performance and had sufficient equal prominence with statutory profit.

Parent Company investment in subsidiaries carrying value

The Committee considers annually, or when an indicator of impairment is identified, the carrying value of the investments in subsidiaries held in the Parent Company Balance Sheet to the net asset position of the subsidiary company as at 31 December 2017, as any subsequent impairment of these investments, which are the primary asset on the Parent Company Balance Sheet, may reduce the Company's distributable reserves.

Management presented further analysis to the Committee to support the carrying value of the investments in subsidiaries held by the Parent Company, including assessing the cash flow forecasts and assumptions of each subsidiary. No impairment of carrying value in the investment in subsidiaries has been identified during the year and the Committee remains satisfied that the carrying value of each subsidiary remains appropriate.

Judgements and estimates

The 2016 Annual Report and Accounts were selected by the Financial Reporting Council's (FRC) Corporate Reporting Review team for review as part of their thematic review of judgements and estimates. Whilst the FRC's review only covered the specific disclosures relating to their thematic review and provides no assurance that our Annual Report and Accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements, the Committee is pleased with both the positive response within the subsequent letter from the FRC Corporate Reporting Review to the Group and the highlighting of the Group's best practice within the thematic Review Report's findings.

Going concern basis for the Consolidated Financial Statements

The Committee provides input to the Board's assessment of whether it is appropriate for the Group to adopt the going concern basis in preparing Consolidated Financial Statements, at both the half year and full year. In order to do so, the Committee considered detailed reviews, based on the Group's financial plans, in relation to the Group's liquidity and solvency, taking into consideration its cash position and committed bank facilities. It considered the Group's financing requirements in the context of available committed facilities, including one of £40 million which remained undrawn as at 31 December 2017, and which was subsequently renewed in February 2018 for a value of £60 million, and challenged Management's forecasts concerning trading performance. The Committee noted the Code

requirement for the Directors to state whether they consider it appropriate to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the Group's 2017 Consolidated Financial Statements. Following its considerations, the Committee was satisfied that the going concern basis of preparation continues to be appropriate. The statement and explanation from the Directors can be found within the Strategic Report on page 54.

Viability Statement

The Code requires the Directors to explain in the Annual Report and Accounts how they have assessed the prospects of the Group, taking into account the Group's current position and principal risks, over what period they have done so and why they consider that period to be appropriate. The Directors are further required to state whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the assessment period they have chosen, drawing attention to any qualifications or assumptions as necessary. This requirement is known as a Viability Statement.

Following its review of Management's proposals, the Committee continues to recommend to the Board that it set the period of assessment for the Viability Statement at three years, given the nature of the Group's business model and its strategic time horizon. The Committee and Board also reviewed Management's financial forecasts for the three-year period, and challenged the process undertaken and assumptions made by the Group's Risk Committee, in assessing how those forecasts would be affected by a realistic concurrence of the Group's principal risks. As a result, the Committee recommended to the Directors that they could make the statement required for the assessment period without qualification. The statement and explanation from the Directors can be found within the Strategic Report on pages 54 and 55.

Other significant activity

During the year, the Committee reviewed its terms of reference against the Code and the Guidance for Audit Committees, following which the terms of reference were amended and subsequently approved by the Board.

The Committee reviewed policies, processes and controls and the reporting of the Group's tax and treasury functions, and controls around purchase to pay and order to cash.

A review of the Company's distributable reserves was carried out prior to the declaration of both the interim and final dividends in respect of the reporting period. The Committee continues to monitor the overall recovery of performance in France.

The Committee received regular updates on major Group governance initiatives, including the Group Opportunity and In-life Service Management programmes.

Having been requested to do so by the Board in accordance with Code provision C.3.4, the Committee also advised the Board on whether the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Committee sought assurance as to the review procedures performed by Management, to support and provide assurance to the Board in making this statement. These include clear guidance issued to all contributors to ensure a consistent approach and a formal review process, to ensure that the Annual Report and Accounts are factually correct and include all relevant information. Following a review, the Committee advised the Board that appropriate procedures had been applied.

Performance of the Committee

No major matters were raised in the internally facilitated annual evaluation of the Committee's performance.

Refer to page 63 for further detail on the evaluation carried out.

The effectiveness of internal controls and of the risk management framework

On behalf of the Board, the Audit Committee is responsible for overseeing the effectiveness of the Group's systems of internal control and the risk management framework.

The Group Risk Committee (GRC) meets on a quarterly basis to review the key risks facing the business. These are identified and their likelihood and impact are assessed within the Group's 'Heat Risk Map'. They are then reviewed in conjunction with accompanying risk mitigation plans. The GRC minutes are circulated to the Audit Committee for review, with any matters of note highlighted and explained to the Committee by the GRC Chairman. This includes an analysis of how the Group's exposure to these risks may have moved during the previous three months and how mitigations to the risks have been introduced or developed, and also provides the GRC's assessment of the effectiveness of the process.

To assist the Board, the Committee monitors the risk management processes and reports from Internal Audit. The Committee continues to monitor implementation of agreed improvements, with an emphasis on strengthening user access controls.

Compliance Steering Committee

The GRC established a Compliance Steering Committee (CSC) during 2016. The CSC meets quarterly, two weeks before the GRC, and is chaired by the Group Head of Legal & Contracting. The Group Human Resources Director and the Group Head of Internal Audit & Risk Management make up the rest of the CSC.

The CSC is responsible for defining relevant areas of law or regulation applicable to the Group, assigning these to members of Management and identifying levels of compliance and associated risk, with the aim of ensuring that these are appropriate for the Group. Critical areas within the CSC's remit include anti-bribery and corruption, whistleblowing and data protection. At the beginning of the year, Management completed a questionnaire distributed by the CSC in order to establish ownership and current levels of compliance with laws and regulations within the Group. The CSC reported its findings to the GRC during the year and this has formed the basis for further ongoing work to combine various compliance activities across the Group.

During 2016, the CSC implemented a Group-wide whistleblowing hotline, provided by a third party, to provide a secure and anonymous means for employees to make disclosures they would otherwise feel unable to. The CSC continues to monitor compliance with the Group Ethics policy, which has completed its rollout across the Group. The CSC has assumed responsibility for implementing the General Data Protection Regulation and has presented updates on progress to the Audit Committee.

Whistleblowing

The Committee confirms that it is satisfied that, as at the date of this report, arrangements are in place (i) to ensure that staff are able, in confidence, to raise concerns about possible improprieties in financial and other matters, and (ii) for the proportionate and independent investigation of such concerns, including appropriate follow-up action. During the year, no incidents were reported to the Committee.

The effectiveness of the Internal Audit function

The Group has an Internal Audit function which reports to me, as Chairman of the Audit Committee, and also has direct access to the CEO. Its key objectives are to provide independent and objective assurance on risks, and the related mitigating controls, to the Board, the Audit Committee and senior Management, and to assist the Board in meeting its corporate governance and regulatory responsibilities. The Board, acting through the Audit Committee, has directed the work of the Internal Audit department towards those areas of the business that are

considered to be the highest risk. The Audit Committee approves a rolling audit programme, ensuring that all significant areas of the business are independently reviewed over, approximately, a three-year period. The programme and the review findings are assessed continually, to ensure they take account of the latest information and, in particular, the results of the annual review of internal control and any shifts in the focus areas of the various businesses.

The Audit Committee reviews the effectiveness of the Internal Audit department and the Group's risk management programme annually. The formal review consists of an evaluation of Internal Audit activities by members of the Audit Committee, managers across the business who have been subject to audit during the year, and a self-assessment by the Group Head of Internal Audit & Risk Management. The assessment covers areas such as departmental organisation, business understanding, skills and experience, communication and performance. The positive results showed improvements in work planning, execution and reporting, with further work to be done in 2018.

The role of the Internal Audit function and its scope of work continue to evolve, to take account of changes within the business. A formal audit charter, which was updated during the year, is in place to guide the function's work and procedures.

The Committee received an update from the Group Head of Internal Audit & Risk Management at each meeting during the year on current audit activities, and any associated issues resulting from the completion of the function's work. I met the Group Head of Internal Audit & Risk Management on a number of occasions during the year, through which I was updated on the activities of the Internal Audit function and received a frequent assessment as to whether the function is resourced adequately.

The Committee has continued to work with the Group Head of Internal Audit & Risk Management on refining the audit universe, challenging and approving the Internal Audit plan and mapping that plan to the Group's principal risks and related mitigating controls, as set out on pages 30 to 35. This is kept under review to reflect the changing needs of the business and to ensure that new and emerging business risks are appropriately considered within it, including reviewing and providing assurance to the Committee regarding the effectiveness of controls over bid management and contract reporting.

The integrity of the Group's relationship with the auditor and the effectiveness of the external audit process

External audit

The Audit Committee is required to oversee the Group's relationship with its auditor, and to make recommendations to the Board concerning the appointment, reappointment and remuneration of the auditor.

Reappointment of the auditor

Following the results of a review of the effectiveness of the external auditor, and further discussions amongst the Committee, the Committee has recommended to the Board that it propose the reappointment of KPMG LLP as the Group's auditor for approval by the Company's shareholders at its 2018 AGM. KPMG LLP was first appointed as the Group's auditor with effect from May 2015, following a competitive tender process. The Committee will continue to review the performance of KPMG LLP, as set out below, on an annual basis. The lead audit engagement partner is Tudor Aw and he has been in place since the firm's appointment in 2015.

During the reporting period, the Company complied with The Statutory Audit Services for Large Companies Market Investigation [Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities] Order 2014.

Effectiveness of the external audit process

The Committee places great importance on ensuring a high-quality and effective external audit process. When conducting the annual review, the Committee considers the performance of the auditor as well as its independence, compliance with relevant statutory, regulatory and ethical standards, and objectivity.

The Committee reviewed the effectiveness and quality of the external audit process by:

- reviewing the audit plan and monitoring changes in response to new issues or changing circumstances;
- receiving reports on the results of the audit work performed; and
- considering the report of the FRC's Audit Quality Review Team (AQRT) on KPMG LLP. The Committee reviewed the report and discussed it with the lead audit engagement partner for KPMG LLP.

The Committee further reviewed the effectiveness of the external audit process by means of a survey, which was completed by key stakeholders and relevant Group Management. The matters covered by the survey included the quality of the service and the KPMG LLP employees that are delivering it, including their understanding of the business and its audit risks, their degree of scepticism and challenge,

and their competency. The results were discussed as a specific agenda item at the Committee meeting immediately following the completion of the questionnaire process, and actions requested by the Committee to enhance effectiveness were followed up and continue to be monitored as appropriate.

Auditor independence

The Committee places considerable importance on ensuring the continuing independence of the Group's auditor. This topic is reviewed at least annually with the auditor, which confirms its independence to the Committee twice a year.

Non-audit services

In support of maintaining the auditor's independence, the Committee has established a policy in relation to the scope and extent of provision of non-audit services by the Group's auditor, which is summarised on this page.

The auditor is appointed primarily to report on the annual and interim Consolidated Financial Statements. The Committee places a high priority on ensuring that the auditor's independence and objectivity is not compromised either in appearance or in fact. Equally the Group should not be deprived of expertise where it is needed and there may be occasions where the external auditor is best placed to undertake other accounting, advisory and consultancy work in view of its knowledge of the business, as well as confidentiality and cost considerations.

Following the changes to the FRC's Ethical Standard (ES), the Committee revised its non-audit services policy during 2016. Under this policy, the Group auditor should not be engaged to undertake work which constitutes a prohibited non-audit service as defined under provision 5.167 of the FRC ES. Any other non-audit service (a 'Permitted Service') must, to the extent that they are not viewed as 'trivial', be approved in advance on an individual basis by the Audit Committee.

In each case where the Group auditor is authorised to perform a Permitted Service, the Audit Committee will assess properly threats to the auditor's independence and the proposed safeguards to be applied when such Permitted Services are carried out. It will also document what action was taken by the Group auditor, including appropriate safeguards where necessary, to ensure that its independence was not compromised as a result of performing the Permitted Service. The Committee will also discuss and document why it viewed the Group auditor as the most appropriate party to perform the Permitted Service.

	2017 £'000	2016 £'000
Auditor's remuneration:		
– Audit of the Financial Statements	44	44
– Audit of subsidiaries	559	493
Total audit fees	603	537
Audit related assurance services	55	56
Taxation compliance services	19	29
Other assurance services	10	9
Taxation advisory services	13	144
Other non-audit services	200	–
Total non-audit services	297	238
Total fees	900	775

The Committee monitors compliance with this policy by monitoring the level of non-audit work provided by the external auditor, resulting in non-audit fees being 49.3 per cent of the KPMG LLP overall audit fee during 2017 (2016: 44.3 per cent), as set out below. The Group auditor will, in no circumstances, undertake non-audit services for the Group to the extent that the total fee payable by the Group to its auditor exceeds 70 per cent of the average annual statutory fee payable by the Group over the last three consecutive years.

The Group ceased using the Group's auditor for all taxation services within the EU during 2017.

During the year, after a competitive tender, KPMG LLP was appointed to conduct financial due diligence in connection with a potential acquisition. The Committee reviewed the tender documentation, Management's recommendations and KPMG LLP's review of the impact on its own independence against the Group's non-audit services policy. The engagement did not constitute a prohibited non-audit service and the Committee concluded that KPMG LLP had provided the best tender, both in terms of quality and value, and were satisfied that the independence of KPMG LLP, as Group auditor, was not affected.

Minnow Powell
Chairman of the Audit Committee
13 March 2018

REMUNERATION

The Directors' Remuneration Report on pages 74 to 89 explains the work of the Remuneration Committee, and the level and components of remuneration for the Directors. The Company made a correction to the Directors' Remuneration Policy, as approved at the Company's 2017 Annual General Meeting (AGM), which was put before shareholders by way of a binding shareholder vote at the Company's General Meeting which was held on 12 February 2018.

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the financial year ended 2017.

The report is split into three sections:

- This Annual Statement.
- The Annual Report on Remuneration on pages 80 to 89 which includes information concerning the amount paid to the Executive and Non-Executive Directors in respect of 2017, which will be subject to an advisory vote by shareholders at the Company's 2018 AGM.
- A summary of the Directors' Remuneration Policy, which was subject to a binding vote by shareholders at the Company's General Meeting held on 12 February 2018, and has been included on pages 76 to 79 so that shareholders can refer to this easily when reviewing the Annual Report on Remuneration.

The Committee continues to believe that the amount paid to the Executive Directors should be clearly linked to their performance and the value delivered to shareholders. Remuneration for the Group Chief Executive Officer (CEO) and Group Finance Director (FD) is heavily weighted towards variable pay, principally based on the achievement of financial targets. The Committee considers that the remuneration arrangements promote the Company's long-term success within a suitable risk framework, are suitably aligned to shareholder interests and that the actual remuneration earned by the Executive Directors continues to be a fair reflection of their individual and the Group's overall performance. The Board remains committed to retaining a remuneration framework which is simple, transparent and can be understood by all of the Group's stakeholders.

The year under review

During the reporting period, the Group has performed well in all its major geographical markets and has also benefited from the strong euro. We have seen solid growth with underlying outperformance in Germany in particular, measured on a constant currency² basis. The UK market continues to be lacklustre and growth is not as strong as we would have expected. Overall, Group adjusted¹ profit before tax has increased by 22.9 per cent over 2017, our net funds³ has significantly increased, and we have made additional cost savings during the year. Our shareholders have enjoyed significant returns when compared to the wider market. During 2017, shareholders have seen a return of circa 47 per cent on the value of their investment through share price appreciation and dividends, and shareholder value has doubled over the three-year period from 2015 to 2017.



Philip Yea
Chairman of the Remuneration Committee



During the reporting period, the Group has performed well in all its major geographical markets. We have seen solid growth with underlying outperformance in Germany in particular.



Remuneration outcomes

The Committee reviewed performance against the conditions set for the potential bonus opportunity in 2017. These performance conditions included profit, Services contribution growth, Group cash, cost savings and personal objectives. Financial performance is measured on a constant currency² basis. Performance against the profit, Services contribution growth and cash in each case exceeded the maximum target set by the Committee, resulting in a full pay-out for these elements. The cost savings and personal objectives measures partially paid out.

As a result of this performance, the CEO received 92.35 per cent and the FD 90.85 per cent respectively of their total potential bonus for the year. Fifty per cent of the bonus will be deferred into Computacenter shares, with half payable after one year in 2019 and the remainder payable after two years in 2020. Of the Computacenter Performance Share Plan (PSP) awards granted in March 2015, 68.01 per cent will vest in March 2018, and will be paid out to the Executive Directors. The conditions for the vesting of these awards are calculated by reference to the growth in the Company's adjusted¹ diluted earnings per share and growth in Group Services revenue for the three financial years ended 31 December 2017. The pay-out reflects the significant value creation enjoyed by shareholders during this period. Further details can be found on pages 81 to 83.

The year ahead

The Committee believes that the remuneration policy approved by shareholders continues to provide an appropriate framework by which to incentivise and reward our executive team and no changes in incentive opportunity or performance measures are being considered.

The Committee has decided that the basic salary of the CEO and FD will be increased by 2.9 per cent for 2018, consistent with increases made to similar performers within the wider UK workforce.

In accordance with the policy approved by shareholders, the PSP awards to be granted to the Executive Directors in 2018 will be subject to a two-year holding period. Further details on how our Directors' Remuneration Policy will be applied for the 2018 financial year are set out on page 89.

The Committee continues to monitor the various developments in remuneration governance. In particular, the Committee will consider the proposed changes to the UK Corporate Governance Code during the course of 2018.

It has been the role of the Committee to ensure that the remuneration paid out to its Executive Directors is reflective of and underpins the performance of the Group. We hope that, having read this report, shareholders will be satisfied that we have performed this role appropriately and in line with your interests. As previously announced I will not be standing for re-election at the Company's AGM in May 2018, but I and the Committee would welcome any comments that you may have on the contents of this report.

Philip Yea
Chairman of the Remuneration Committee
13 March 2018

Computacenter's Remuneration Policy table

The table below sets out the main components of Computacenter's Directors' Remuneration Policy (including the details of the benefits which Executive Directors may receive) which was approved by way of a binding vote at the Company's General Meeting on 12 February 2018. The full policy can be found on the Company's website at investors.computacenter.com

Policy table

Base salary	
Purpose and link to strategy	Supports the recruitment and retention of Executives of the calibre required to deliver the Group's strategy.
Operation	<p>Base salaries are paid in cash and reflect an individual's responsibilities, performance, skills and experience.</p> <p>Normally reviewed annually with any changes effective on 1 January, taking into account the level of pay settlements across Computacenter Group, the performance of the business and general market conditions. Salary levels at other organisations of a similar size, complexity and business orientation will be reviewed for guidance.</p> <p>A review may not necessarily result in an increase in base salary.</p> <p>An exceptional review may take place to reflect a change in the scale or scope of a Director's role, for example: a major acquisition.</p> <p>Salary levels for the current Executive Directors for the 2018 financial year are:</p> <p>Group Chief Executive Officer: £540,000</p> <p>Group Finance Director: £350,000</p>
Maximum opportunity	<p>There is no prescribed maximum base salary or maximum annual increase. Ordinarily any salary increase will reflect our standard approach to increases for other employees in the Group. Higher increases may be considered in certain circumstances as required, for example, to reflect:</p> <ul style="list-style-type: none"> • an increase in scope of role or responsibility; • performance in role; or • an Executive Director being moved to appropriate market positioning over time.
Performance measures	Individual and business performance is taken into consideration when deciding salary levels.
Annual bonus	
Purpose and link to strategy	<p>To incentivise the delivery of annual, short-term, stretching financial and non-financial objectives.</p> <p>To align pay costs to affordability and the value delivered to shareholders.</p>
Operation	<p>Performance measures and targets are set at the beginning of each financial year. Performance is normally assessed over one financial year.</p> <p>For the bonus paid in respect of 2017 onwards, 50 per cent will be paid in cash and 50 per cent will be deferred into Computacenter shares, with half the shares payable after one year and the remaining half after two years.</p> <p>Deferred awards will include the right to receive dividend equivalents.</p> <p>Malus and clawback provisions will apply, as set out in the notes to this table.</p> <p>The Committee has discretion to vary bonus payments downwards or upwards if it considers the outcome would not be a fair and complete reflection of the performance achieved by the Group and/or the Executive Director(s). To the extent that this discretion is exercised, this will be disclosed in the relevant Directors' Remuneration Report and may be the subject of shareholder consultation if deemed appropriate.</p>
Maximum opportunity	<p>The maximum annual bonus opportunity is 150 per cent of base salary.</p> <p>In 2018 the maximum bonus opportunity will be 125 per cent of salary for the CEO, Mike Norris and 100 per cent of salary for the FD, Tony Conophy.</p> <p>Increases above the current opportunities, up to the maximum limit, may be made to take account of individual circumstances, which may include an increase in the size or scope of role or responsibility.</p>

Performance measures	<p>Financial measures will normally be used to calculate at least a majority of bonus achievement and the remainder of annual bonus will normally be attributed to non-financial measures.</p> <p>Financial measures may include profitability, cost management, cash management and other appropriate measures.</p> <p>Non-financial targets will be stretching targets set by the Committee linked to the delivery of our strategy and the Executive Directors' personal objectives for the year.</p> <p>Targets are reviewed and approved annually by the Committee to ensure that they are stretching and adequately reflect the strategic aims of the Group.</p> <p>The Committee determines the threshold and target payout levels each year taking into account the level of stretch in the targets set. The level of award which is payable for threshold performance will not normally exceed 40 per cent of the maximum opportunity.</p>
Performance Share Plan (PSP)	
Purpose and link to strategy	<p>To align the interests of Executive Directors and shareholders.</p> <p>To incentivise the achievement of longer-term profitability and returns to shareholders, and growth of earnings in a stable and sustainable manner.</p>
Operation	<p>Awards of nil-cost options (or equivalent) which are granted on a discretionary basis and will normally vest subject to performance and continued employment at the end of a performance period of at least three years.</p> <p>PSP shares will normally be subject to a two-year holding period following vesting. The shares held during the holding period will include the right to receive dividend equivalents.</p> <p>The Committee reviews the performance criteria, targets and weightings prior to each grant in line with business priorities to ensure they are challenging and fair.</p> <p>The Committee has discretion to vary the percentage of awards vesting downwards or upwards if it considers that the outcome would otherwise not be a fair and complete reflection of performance over the plan cycle.</p> <p>Awards are subject to a malus and clawback provision as set out in the notes to this table.</p>
Maximum opportunity	<p>The maximum opportunity under the plan is 200 per cent of annual base salary or 400 per cent of annual base salary in exceptional circumstances.</p> <p>The maximum face value of annual awards granted in 2018 will be 200 per cent of salary for the CEO and 175 per cent of salary for the FD.</p> <p>For achievement of a threshold performance level (which is the minimum level of performance that results in any part of an award vesting), no more than 25 per cent of the award will vest.</p>
Performance measures	<p>Earnings per share is currently the primary measure for our Performance Share Plan, but the Committee may exercise its discretion to introduce additional or alternative measures which are aligned to the delivery of the business strategy.</p> <p>Details of the performance conditions applied to awards granted in the year under review and to be granted in the forthcoming year are set out on pages 82 to 83 and 89 respectively.</p>
Retirement benefits	
Purpose and link to strategy	To provide an income for retirement.
Operation	<p>No special arrangements are made for Executive Directors who are entitled to become members of the Group's defined contribution pension scheme, which is open to all UK employees or the pension plan relevant to the country where they are employed if different.</p> <p>If the Executive Director so chooses, he/she may take some or all of the pension contribution as a cash alternative, which will be the same percentage of salary as the pension contribution foregone.</p>
Maximum opportunity	Pension contributions or allowances will not exceed 15 per cent of base salary.
Performance measures	N/A

Other benefits	
Purpose and link to strategy	To provide a competitive level of employment benefits.
Operation	<p>No special arrangements are generally made for Executive Directors.</p> <p>Benefits currently include:</p> <ul style="list-style-type: none"> • a car benefit appropriate for the role performed; • participation in the Company's private health and long-term sickness schemes; • life insurance and income continuance schemes; and • participation in all-employee share plans on the same basis as other eligible employees. <p>All of the Group's UK and German tax-resident employees are eligible to participate in the Company's SAYE scheme, if it is offered.</p> <p>If new benefits are introduced for a wider employee group, the Executive Directors shall be entitled to participate on the same basis as other eligible employees.</p> <p>If, in the opinion of the Committee, a Director must relocate to undertake and properly fulfil his/her executive duties, a cash payment may be made to cover reasonable expenses.</p>
Maximum opportunity	<p>There is no maximum level of benefits provided to an individual Executive Director as the cost of benefits is dependent upon costs in the relevant market. Benefits will be set at levels which are competitive, but not excessive.</p> <p>Participation by Executive Directors in the Sharesave scheme, and any other all-employee share plan operated in the future, is limited to the maximum award levels permitted by HM Revenue and Customs.</p>
Performance measures	N/A
Chairman and Non-Executive Director fees	
Purpose and link to strategy	To ensure that the Group is able to attract and retain experienced and skilled Non-Executive Directors.
Operation	<p>Fee levels are determined with reference to those paid by other companies of similar size and complexity and taking into account the scope of responsibilities and the amount of time that is expected to be devoted during the year. No individual is involved in the process of setting his/her own remuneration.</p> <p>Fee levels are normally reviewed every two years and are next due for review in 2019. They may also be increased on an ongoing or temporary basis to take into account changes in the working of the Board.</p> <p>The Chairman of the Board receives a fixed fee. Other Non-Executive Directors receive a basic fee and additional fees are payable for the Chairmanship of Board Committees and for the additional responsibility of being the Senior Independent Director. Fees are normally paid in cash.</p> <p>Travel expenses and hotel costs, including any tax due, are also paid where necessary.</p> <p>2018 fee levels for the incumbents are as follows: Non-Executive Chairman: £195,000 Non-Executive Director base fee: £50,000</p> <p>Supplementary fees: Senior Independent Director: £6,000 Audit Committee Chair: £16,000 Remuneration Committee Chair: £10,000</p>
Maximum opportunity	<p>Non-Executive Directors do not participate in any of the Group's incentive arrangements or share schemes and are not eligible for pension or other benefits.</p> <p>Maximum in line with the Company's Articles of Association.</p>
Performance measures	The Chairman of the Board will review individual contributions annually and every three years an independent Board Effectiveness review will be conducted.

Share ownership guidelines	
Purpose and link to strategy	To strengthen alignment between Executives and shareholders.
Operation	Levels are set in relation to annual base salary, and are normally required to be built over a five-year period. The Committee retains discretion to extend this period on an individual basis, if it believes that it is fair and reasonable to do so.
	Options which have vested unconditionally, but are as yet unexercised, will be included on a net basis, for the purposes of calculating shareholdings, as will shares held by an Executive's spouse or dependants.
	The Committee will regularly review the minimum shareholding guidelines.
Maximum opportunity	There is no maximum, but minimum levels have been set at 200 per cent of base salary for both the current CEO and FD. Non-Executive Directors are not required to hold shares in the Company.
	Executive Directors who have not yet met their shareholding requirement will be expected to retain at least 50 per cent of any PSP awards which vest (net of tax) until such time as this level of holding is met.
Performance measures	N/A

Malus and clawback

Malus and clawback provisions apply to the annual bonus and performance share plan as follows:

Annual bonus

Malus and/or clawback may apply for two years in the event of a material misstatement of the Group's accounts for the relevant bonus year or in cases of gross misconduct.

Performance Share Plan

Malus may apply prior to vesting in the event of:

- a material misstatement of results; or
- poor risk management resulting in a material reduction in profit; or
- some other substantial reason that the Committee deems appropriate.

Clawback may apply at any time prior to the fifth anniversary of grant in the event of:

- an overpayment to the participant; or
- if the participant leaves in circumstances which, had all the facts been known, would have resulted in the award lapsing.

Remuneration arrangements across the Group

When setting Executive remuneration, consideration is given to pay policies and employment conditions of employees of the Company and elsewhere in the Group.

The remuneration of employees across the Group is based on three fundamental principles. Firstly, that it allows the Group to retain the level of talent necessary to implement the strategy as set by the CEO and Board. Additionally, that levels of remuneration should be sufficient to achieve this aim, but should never be higher than is necessary to do so. Finally, with limited exceptions, the more significant the ability of an employee to influence the Company's financial results through their individual performance, the higher the proportion of their remuneration should be performance-based.

The level and design of variable pay takes into account the need to avoid incentivising the Group's employees to act in a manner that is inconsistent with the Group's risk appetite, as set by the Board.

Consistent with the policy for Executive Directors, where annual bonuses are in place across the Group, they are linked to business performance with a focus on underlying Group, divisional profit and other relevant metrics.

Whilst only Executive Directors and senior Executives participate in the PSP, other full time employees in the UK can participate in the Company's all employee SAYE scheme which is designed to incentivise participants to build a shareholding in the Company, thus aligning their interests with those of the Group's shareholders. This plan is not subject to performance conditions, but requires the employee to remain employed at the end of the term of the scheme which they have joined.

In line with local country practices, all employees are encouraged to contribute appropriate savings towards their retirement. In the UK, the Company operates pension arrangements within the Occupational and Personal Pension Schemes [Automatic Enrolment] Regulations 2010.

Whilst the Company does not feel it appropriate to consult directly with employees when drawing up the Directors' Remuneration Policy, the Committee has considered any feedback received via employee engagement surveys and from the regular meeting the CEO and Group Human Resources Director conduct with staff representative bodies in each of our major geographies.

Annual Remuneration report

Responsibilities of the Remuneration Committee

The key responsibilities of the Remuneration Committee are to determine on behalf of the Board:

- the Company's general policy on Executive remuneration; and
- the specific remuneration packages of the Executive Directors, the Chairman of the Board and senior Executives of the Group including, but not limited to, base salary, pension, annual performance-related bonuses and PSP awards.

The fees of the Non-Executive Directors are determined by the Chairman and the Executive Directors. All Directors are subject to the overriding principle that no person shall be involved in the process of determining his or her own remuneration.

The full responsibilities of the Committee are contained within its terms of reference, which are available on our website investors.computacenter.com.

Membership and attendance

The Remuneration Committee is made up of the independent Non-Executive Directors and the Chairman of the Board, who was considered to be independent on appointment. Details of the membership of the Committee and attendance of the members at Committee meetings during the year, is provided below.

Member	Role	Attendance record
Current Members		
1. Philip Yea (Chairman)	Senior Independent Director	5/5
2. Greg Lock	Non-Executive Chairman of the Board	5/5
3. Minnow Powell	Non-Executive Director	5/5
4. Regine Stachelhaus	Non-Executive Director	5/5
5. Ros Rivaz	Non-Executive Director	5/5

The CEO attends meetings by invitation, as does the Group Human Resources Director. The Group Company Secretary is the secretary to the Committee.

The principal advisor to the Committee is Deloitte LLP (Deloitte), who was selected by the Committee in September 2016 by way of a tender process. Minnow Powell receives a pension from Deloitte and, as such, recused himself from all discussions relating to the appointment of Deloitte.

The total fees paid to Deloitte in relation to advice to the Committee in 2017 was £38,600. The Committee considers the advice that it receives from Deloitte LLP to be independent. During the year, Deloitte also provided tax and share plan advice to the Company. Deloitte is a founding member of the Remuneration Consultants Group and, as such, voluntarily adheres to its Code of Conduct.

Audited information

The audited tables and related notes are identified within this report, using an **A** key.

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Single Figure of Total Remuneration

The total amount paid by the Company to each of the Directors, in respect of the financial years ending 31 December 2017 and 2016, is set out in the table below:

	Salary or fees £'000		Benefits £'000		Annual bonus £'000		PSP awards £'000		Pension £'000		Total £'000	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Executive												
Mike Norris	525.0	525.0	62.0 ¹	52.3 ¹	606.0	319.3	996.5 ²	891.8 ⁵	23.1	19.2	2,212.6	1,807.6
Tony Conophy	340.0	340.0	–	–	308.9	170.4	566.8 ²	507.2 ⁵	27.4 ⁶	–	1,243.1	1,017.6
Non-Executive												
Greg Lock	195.0	195.0	–	–	–	–	–	–	–	–	195.0	195.0
Philip Hulme	50.0	50.0	–	–	–	–	–	–	–	–	50.0	50.0
Peter Ogden	50.0	50.0	–	–	–	–	–	–	–	–	50.0	50.0
Minnow Powell	66.0	66.0	–	–	–	–	–	–	–	–	66.0	66.0
Ros Rivaz ³	50.0	7.0	–	–	–	–	–	–	–	–	50.0	7.0
Regine Stachelhaus ⁴	50.0	50.0	–	–	–	–	–	–	–	–	50.0	50.0
Philip Yea	66.0	66.0	–	–	–	–	–	–	–	–	66.0	66.0
Total (£'000)	1,392.0	1,349.0	62.0	52.3	914.9	489.7	1,563.3	1,399.0	50.5	19.2	3,982.7	3,309.2

1. The benefits figure is the cost to the Company of providing a driver service and other travel related benefits for Mike Norris.
2. This relates to the 2015 PSP awards which will be paid out in March 2018 and had a performance period of 1 January 2015 to 31 December 2017. The relevant performance criteria was partially achieved and therefore 68.01 per cent of the award vested for each of the Executive Directors. This calculation is based upon the average value of Computacenter plc shares over the last quarter of 2017 being £10.55.
3. Ros Rivaz was appointed to the Board on 11 November 2016.
4. Paid in euros.
5. The value of the 2014 PSP awards have been updated to reflect the actual share price at vesting on 22 March 2017 of £7.15.
6. The pensions benefit for Tony Conophy includes £12,488.74 in respect of the year ended 31 December 2016 due to the timing of implementing his election of a revised pension arrangement whereby employees can, under certain conditions, receive a cash payment in lieu of membership of a collective pension scheme.

Remuneration paid in 2017: Executive Directors

2017 base salary

The annual salaries of the Executive Directors were not increased during 2017.

2017 annual bonus

The maximum bonus opportunity in 2017 was 125 per cent of base salary for the CEO and 100 per cent of base salary for the FD. Fifty per cent of the bonus will be deferred into Computacenter shares, with half payable after one year and half payable after two years. Bonus payments are also subject to clawback for two years, in the event that the Group materially misstates its financial results for the reporting period or in the event of misconduct by the Executive Director.

The 2017 annual bonus opportunity was driven by the financial performance of the business and individual targets for each Director. For the year ended 31 December 2017, 80 per cent of this award was conditional on the achievement of criteria linked to the financial performance of the Group. These targets were set by the Committee with reference to the Group's strategic and financial plans, as approved by the Board of Directors. The non-financial personal objectives set for the Executive Directors were based principally on delivery against the Group's strategic objectives and certain people-related objectives, including leadership development and succession planning.

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The table below sets out details of the annual bonus criteria which applied for the Executive Directors for 2017 and performance delivered:

Measure	As a percentage of Maximum Bonus Opportunity	Performance required				Actual % achieved		Payout £'000	
		Threshold	Target	Stretch	Maximum	CEO	FD	CEO	FD
Financial criteria									
Group profit before tax (£m)	50%	85.8	90.3	95.3	100.1	100.3¹		328.1	170.0
Percentage payout at target		10%	20%	40%	50%	50%			
Services contribution growth (£m)	10%	209.7	221.3	233.0	233.0	236.3		65.6	34.0
Percentage payout at target		5%	7.5%	10%	10%	10%			
Cash balance (£m)	10%	99.1	115.7	132.2	132.2	139.0		65.6	34.0
Percentage payout at target		5%	7.5%	10%	10%	10%			
Costs (£m)	10%	[246.0]	[243.4]	[241.0]	[241.0]	[245.6]		35.1	18.2
Percentage payout at target		5%	7.5%	10%	10%	5.3%			
Non-financial criteria									
Personal objectives (out of 20)	20%	0%	7.5%	15%	20%	17%	15.5%	111.6	52.7
Total	100%	25.0%	50%	85%	100%	92.3%	90.8%	606.0	308.9

1. Currency adjusted.

The Personal objectives for the Executive Directors are subject to a profit performance underpin and are related to the following:

CEO
<ul style="list-style-type: none"> Implementing a plan to significantly improve the financial performance of Computacenter in the UK Continuing to focus on leadership development and talent management of senior roles Making continued progress against objectives relating to international diversity
FD
<ul style="list-style-type: none"> Managing and educate management on the effective use and impact of working capital Overseeing the construction budget and relocation of our German headquarters Continuing to explore acquisition opportunities

PSP

The PSP awards granted to Executive Directors with a performance period ending on 31 December 2017 paid out at 68.01 per cent, pursuant to the 2015 PSP Scheme as the relevant performance criteria threshold was partially achieved.

Vesting of these awards to each Executive Director was dependent upon the achievement of the following performance measures over a three-year period:

The compound annual growth rate of the Group's adjusted ¹ diluted earnings per share (EPS) – 70 per cent weighting	
Performance level*	Adjusted ¹ diluted EPS Growth CAGR
Maximum (100 per cent vesting)	12.5%
In line with expectations (50 per cent vesting)	8.33%
Threshold (10 per cent vesting)	5%

* Vesting occurs on a straight-line basis on between these thresholds.

The growth in adjusted¹ diluted EPS during the period 1 January 2015 to 31 December 2017 was 11.32 per cent per annum. This resulted in 85.8 per cent of this element vesting. The EPS number used for the base year of this award (i.e. EPS in 2014) is consistent with the EPS number that was used to calculate the vesting of the 2012-2014 PSP.

Services Revenue Growth – 30 per cent weighting	
Performance level*	Services Revenue Growth CAGR
Maximum (100 per cent vesting)	7.5%
In line with expectations (50 per cent vesting)	5.5%
Threshold (25 per cent vesting)	3.5%

The growth in Services Revenue Growth was 3.62 per cent, resulting in 26.5 per cent of this element vesting.

Remuneration awards granted in 2017: Executive Directors

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Share scheme interests awarded during the year

The table below details awards made during 2017 under the PSP scheme. The face value of the awards has been calculated based on the closing share price for the trading day immediately prior to the award date. The performance conditions for these awards are set out in more detail directly below.

	Scheme/type of award	Number of shares	Face value at time of grant	Performance conditions applied	Amount vesting related to threshold of performance		Performance period set
					Threshold performance (% of face value)	Maximum performance (% of face value)	
Group CEO	PSP – nil cost option	142,566	£1,049,999 ¹	Compound growth of Company EPS (70%)	10%	100%	3 financial years from 1 January 2017
				Compound growth of Services revenue (30%)	25%	100%	
Group FD	PSP – nil cost option	80,788	£595,004 ¹	Compound growth of Company EPS (70%)	10%	100%	3 financial years from 1 January 2017
				Compound growth of Services revenue (30%)	25%	100%	

1. This is based on the mid-market share price of Computacenter plc on 21 March 2017, being £7.365.

Vesting of these awards to each Executive Director will be dependent upon the achievement of the performance measures over a three-year period, as follows:

The compound annual growth rate of the Group's adjusted ¹ diluted earnings per share (EPS) (70 per cent weighting)	
Performance level*	Adjusted ¹ diluted EPS Growth CAGR
Maximum	12.5%
In line with expectations	8.33%
Threshold	5%

The compound annual growth rate of the Group's Services Revenue (GSR) (30 per cent weighting) measured on a constant currency ² basis	
Performance level*	Services Revenue Growth CAGR
Maximum	7.5%
In line with expectations	5.5%
Threshold	3.5%

* Vesting occurs on a straight-line basis on between these thresholds.

Retrospective disclosure: 2016 actual annual bonus targets

This year we have moved to reporting performance against the annual bonus targets set immediately rather than on a lagged basis. The table below sets out the bonus targets set for the Executive Directors in respect of the 2016 financial year, which are no longer considered 'commercially sensitive' by the Committee.

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The table below sets out details of performance against the actual FY 2016 bonus targets:

Measure	As a percentage of Maximum Bonus Opportunity	Performance required			Actual % achieved		Payout £'000	
		Threshold	Target	Maximum	CEO	FD	CEO	FD
Financial criteria								
Group profit before tax (£m)	50%	82.0	91.1	100.2	82.2 ¹		85.5	44.7
Percentage payout at target		12.5%	40%	50%	13.2%			
Services contribution growth (£m)	10%	194.3	215.9	215.9	203.5		46.4	24.3
Percentage payout at target		5%	10%	10%	7.1%			
Cash balance (£m)	10%	87.2	116.3	116.3	104.6		51.9	27.2
Percentage payout at target		5%	10%	10%	8.0%			
Costs (£m)	10%	[228.8]	[224.0]	[224.0]	[225.1]		57.5	30.0
Percentage payout at target		5%	10%	10%	8.8%			
Non-financial criteria								
Personal objectives (out of 20)	20%	1%	15%	20%	12%	13%	78.0	44.2
Total	100%	28.5%	85%	100%	49.1%	50.1%	319.3	170.4

1. Currency adjusted.

The Personal objectives for the Executive Directors were subject to a profit performance underpin and related to the following:

CEO
<ul style="list-style-type: none"> • Reduce SG&A by £5 million per annum • Improve Supply Chain margins by £10 million per annum • Work with partners to improve our services costs by £5 million per annum • Build an effective succession plan
FD
<ul style="list-style-type: none"> • Manage the German warehouse and office relocation • Work to support all areas of the business to improve the cost base of both SG&A and services direct costs with productivity and offshoring • Manage the Balance Sheet such that we are in a position to distribute cash to shareholders in 2017 • Explore acquisition opportunities • Work on internal succession planning

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Executive Director outstanding Share Awards as at 31 December 2017
Directors' interests in Share Plans (audited)

	Scheme	Note	Exercise/ share price	Vesting period/ exercise period	At 1 January 2017	Granted during the year	Exercised during the year	Lapsed	At 31 December 2017
Mike Norris	Sharesave*	1	524.0p	01/12/19-31/05/20	5,782	–	–	–	5,782
	PSP	2	Nil	20/03/17-19/03/24	146,520	–	124,732	21,788	–
	PSP	3	Nil	26/03/18-25/03/25	138,889	–	–	–	138,889
	PSP	4	Nil	22/03/19-21/03/26	118,305	–	–	–	118,305
	PSP	5	Nil	22/03/20-21/03/27	–	142,566	–	–	142,566
Tony Conophy	Sharesave*	1	343.0p	01/12/17-31/05/18	4,373	3,802	–	–	8,175
	PSP	2	Nil	20/03/17-19/03/24	83,333	–	70,941	12,392	–
	PSP	3	Nil	26/03/18-25/03/25	78,993	–	–	–	78,993
	PSP	4	Nil	22/03/19-21/03/26	67,286	–	–	–	67,286
	PSP	5	Nil	22/03/20-21/03/27	–	80,788	–	–	80,788

- Issued under the terms of the Computacenter Sharesave Plus Scheme, which is available to employees and full-time Executive Directors of the Computacenter Group. Eligible employees can save between £5 and £500 a month to purchase options in shares in Computacenter plc at a price fixed at the beginning of the scheme term. There are no conditions relating to the performance of the Company for this scheme. On 18 October 2017, the Company granted 3,802 options to acquire ordinary shares pursuant to the Computacenter Sharesave Plus Scheme at an Option Price of £7.89 to Tony Conophy. All 3,802 of these options lapsed on 22 January 2018.
- Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 13 May 2011. One-quarter of the shares will vest if the compound annual EPS growth over the performance period from 1 January 2014 to 31 December 2016 (the 'Performance Period') equals 7.5 per cent per annum. One-half of the shares will vest if the compound annual EPS growth over the Performance Period equals 10 per cent per annum. If the compound annual EPS growth rate over the Performance Period is between 7.5 per cent and 10 per cent over the Performance Period, shares awarded will vest on a straight-line basis up to one-half. Awarded shares will vest in full if the compound annual EPS growth equals or exceeds 20 per cent or more over the Performance Period.
- Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 13 May 2011.
 - In respect of 70 per cent of the total award: 10 per cent of this portion of the award will vest if the compound annual EPS growth over the Performance Period equals 5 per cent per annum. If the compound annual EPS growth rate over the Performance Period is between 5 per cent and 8.33 per cent, this portion of the award will vest on a straight-line basis up to one-half. This portion of the award will vest in full if the compound annual EPS growth equals or exceeds 12.5 per cent per annum, with straight-line vesting between 50 per cent and 100 per cent.
 - In respect of 30 per cent of the total award: the award will start to vest if the compound annual Services growth rate over the Performance Period equals 3.5 per cent. If the compound annual Services growth rate over the Performance Period is 7.5 per cent, this portion of the award will vest in full. If the compound annual Services growth rate over the period is between 3.5 per cent and 7.5 per cent, then this portion of the award will vest on a straight-line basis between 25 per cent and 100 per cent.
- Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 13 May 2011.
 - In respect of 70 per cent of the total award: 10 per cent of this portion of the award will vest if the compound annual EPS growth over the Performance Period equals 5 per cent per annum. If the compound annual EPS growth rate over the Performance Period is between 5 per cent and 8.33 per cent, this portion of the award will vest on a straight-line basis up to one-half. This portion of the award will vest in full if the compound annual EPS growth equals or exceeds 12.5 per cent per annum, with straight-line vesting between 50 per cent and 100 per cent.
 - In respect of 30 per cent of the total award: the award will start to vest if the compound annual Services growth rate over the Performance Period equals 3.5 per cent. If the compound annual Services growth rate over the Performance Period is 7.5 per cent, this portion of the award will vest in full. If the compound annual Services growth rate over the period is between 3.5 per cent and 7.5 per cent, then this portion of the award will vest on a straight-line basis between 25 per cent and 100 per cent.
- Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 13 May 2011.
 - In respect of 70 per cent of the total award: 10 per cent of this portion of the award will vest if the compound annual EPS growth over the Performance Period equals 5 per cent per annum. If the compound annual EPS growth rate over the Performance Period is between 5 per cent and 8.33 per cent, this portion of the award will vest on a straight-line basis up to one-half. This portion of the award will vest in full if the compound annual EPS growth equals or exceeds 12.5 per cent per annum, with straight-line vesting between 50 per cent and 100 per cent.
 - In respect of 30 per cent of the total award: the award will start to vest if the compound annual Services growth rate over the Performance Period equals 3.5 per cent. If the compound annual Services growth rate over the Performance Period is 7.5 per cent, this portion of the award will vest in full. If the compound annual Services growth rate over the period is between 3.5 per cent and 7.5 per cent, then this portion of the award will vest on a straight-line basis between 25 per cent and 100 per cent.

* The Sharesave scheme only requires that an employee remains employed by the Group at the end of the term of the scheme. There are no performance conditions attached.

Director gains
PSP

Director	Date of vesting	Scheme	Number of shares	Exercise price	Market price at exercise	Gain made
Mike Norris	22/03/2017	PSP	124,732	Nil	£7.18	£895,027
Tony Conophy	22/03/2017	PSP	70,941	Nil	£7.18	£606,546

The closing market price of ordinary shares at 29 December 2017 (being the last trading day of 2017) was 1153.00 pence.

The highest price during the year was 1153.00 pence and the lowest was 715.00 pence.

Minimum shareholding requirements

In accordance with the Group's minimum shareholding guidelines, the CEO is required to build up a shareholding that is equal to 200 per cent of his/her gross salary. In respect of the Group Finance Director, the threshold that is expected to be achieved is 200 per cent of his/her gross salary. It is additionally expected that the Executive Director will achieve these levels within five years of appointment. For the purposes of these requirements, options which have vested unconditionally, but are as yet unexercised, will be included on a net basis, for the purposes of calculating shareholdings, as will shares held by an Executive's spouse or dependants. There is no requirement for the Non-Executive Directors of the Company to hold shares.

Both the CEO and the Group Finance Director have met and substantially exceed their shareholding requirement.

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Directors' shareholdings

The beneficial interest of each of the Directors in the shares of the Company, as at 31 December 2017, is as follows:

Current Directors	Number of shares in the Company as at 31 December 2017	Percentage of requirement achieved	Interests in shares		
			SAYE	PSP	Total
Mike Norris	1,208,088	1327% ³	5,782 ¹	399,760 ²	1,613,630
Tony Conophy	1,871,668	3174% ³	8,175 ^{1,4}	227,067 ²	2,106,910
Greg Lock	600,000	n/a	–	–	600,000
Philip Hulme	10,567,582	n/a	–	–	10,567,582
Peter Ogden	20,119,473	n/a	–	–	20,119,473
Minnow Powell	1,340	n/a	–	–	1,340
Ros Rivaz	1,382	n/a	–	–	1,382
Regine Stachelhaus	–	n/a	–	–	–
Philip Yea	8,000	n/a	–	–	8,000

Note: Apart from participation in the Tender Offer during February 2018, and as noted below, there has been no grant of, or trading in, shares of the Company between 1 January 2018 and 13 March 2018. For further information on the Tender Offer, and for details on the Directors' participation, refer to the Company's shareholder circular dated 23 January 2018 and to page 53 of the Strategic Report.

1. There are no conditions relating to the performance of the Company or individual for the vesting of this scheme.
2. There are performance conditions for this scheme as set out below the table on page 89.
3. Based on the Company's closing share price as at 29 December 2017, being £11.53.
4. On 18 October 2017, the Company granted 3,802 options to acquire ordinary shares pursuant to the Computacenter Sharesave Plus Scheme at an Option Price of £7.89 to Tony Conophy. All 3,802 of these options lapsed on 22 January 2018.

Dilution limits

Computacenter uses a mixture of both new issue and market purchase shares to satisfy the vesting of awards made under its Option, PSP and Sharesave plans. In line with best practice, the use of new or treasury shares to satisfy awards made under all share schemes, is restricted to 10 per cent in any 10-year rolling period, with a further restriction for discretionary schemes of five per cent in the same period. The Company's current position against its dilution limit is under each of these thresholds. The Company regularly reviews its position against the dilution guidelines and, should there be insufficient headroom within which to grant new awards which could be satisfied by issuing new shares, it is the intention of the Company to continue its current practice of satisfying new awards with shares purchased on the market.

Payments to past Directors and payments for loss of office

There have been no payments made to past Directors and no payments made for loss of office during the period.

Executive service contracts

A summary of the Executive Directors' contracts of employment is given in the table below:

Director	Start date	Expiry date	Unexpired term	Notice period (months)
Mike Norris	23/04/1998	n/a	None specified	12
Tony Conophy	23/04/1998	n/a	None specified	12

All Executive Directors have a rolling 12-month service contract with the Company, which is subject to 12 months' written notice by either the Company or the Director.

External appointments for Executive Directors

Executive Directors are permitted to hold outside directorships, subject to approval by the Chairman of the Board, and any such Executive Director is permitted to retain any fees paid for such services. During 2017, Mike Norris served as a Non-Executive Director of Triage Holdings Limited and received a fee of £8,000.

Non-Executive Directors' letters of appointment

The Non-Executive Directors have not entered into service contracts with the Company. They each operate under a letter of appointment which sets out their terms, duties and responsibilities. Non-Executive Directors are appointed for an initial term, which runs to the conclusion of the third AGM following their appointment, which may be renewed at that point for a further three-year term. The letters of appointment provide that should a Non-Executive Director not be re-elected at an AGM before he or she is due to retire, then his or her appointment will terminate. With the exception of Phil Yea, who will step down, the Board has agreed that all Directors will be subject to re-election at the AGM on 18 May 2018.

The terms and conditions of appointment of the Non-Executive Directors are available for inspection by shareholders at the Company's registered office. The appointments continue until the expiry dates set out below, unless terminated for cause or on the period of notice stated below:

Director	Date of latest letter of appointment	Expiry date	Notice period
Greg Lock	4 May 2017	14 May 2020	3 months
Philip Hulme	4 May 2016	4 May 2019	3 months
Peter Ogden	4 May 2016	4 May 2019	3 months
Minnow Powell	14 December 2017	14 December 2020	3 months
Ros Rivaz	11 November 2016	11 November 2019	3 months
Regine Stachelhaus	4 May 2016	4 May 2019	3 months
Philip Yea	23 June 2015	23 June 2018	3 months

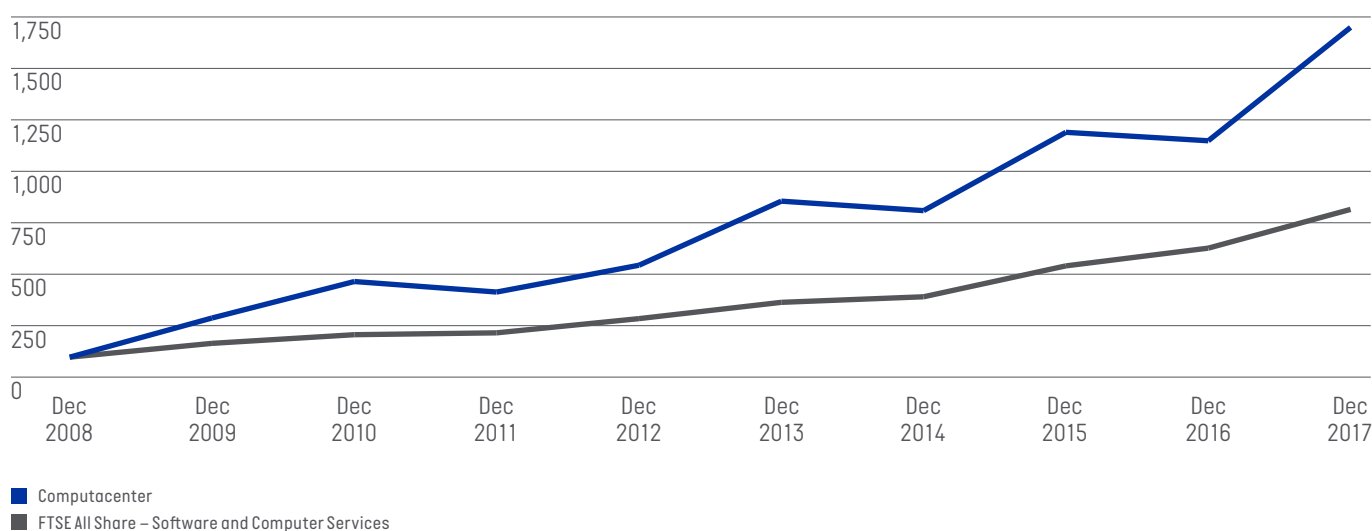
In 2018, the Chairman will be paid a single consolidated fee of £195,000. The Non-Executive Directors are paid a basic fee, plus additional fees for Chairmanship of Board Committees or SID duties.

The annual rates of Non-Executive Directors' fees are shown in the table below. Non-Executive Directors' fees are generally reviewed every two years and were last reviewed in December 2017, with no increases applied:

Position	2017 Annual fees (£)	2018 Annual fees (£)
Non-Executive Director	50,000	50,000
Additional fee for the Chairmanship of the Audit Committee	16,000	16,000
Additional fee for the Chairmanship of the Remuneration Committee	10,000	10,000
Additional fee for the position of Senior Independent Director	6,000	6,000

Performance of the Company

Total shareholder return performance (Computacenter versus FTSE Software and Computer Services sector)



In this graph, TSR performance shows the value, in December 2017, of £100 invested in the Company's shares in December 2008, assuming that all dividends received between December 2008 and December 2017 were reinvested in the Company's shares [source: Datastream].

CEO pay history

The table below shows the total remuneration figure for the CEO over the previous nine financial years. The total remuneration figure includes the annual bonus and PSP awards which vested based on performance in those years. The annual bonus and PSP percentages show the payout for each year as a percentage of the maximum.

	2009	2010	2011	2012	2013	2014	2015	2016	2017
CEO single figure of remuneration	1,407,034	1,910,675	1,878,675	1,085,300	937,300	1,506,300	2,763,900	1,807,600	2,212,647
Annual bonus payout (as a % of maximum opportunity)	87%	98.5%	63.7%	26.8%	61.2%	69.39%	84.54%	49.12%	92.35%
Annual bonus	413,250	467,875	350,350	161,000	367,000	451,035	803,200	319,280	606,047
PSP vesting (as a % of maximum opportunity)	100%	100%	100%	58.5%	0%	35.34%	71.5%	85.13%	68.01%
PSP vesting	489,235	938,201	997,351	385,355	–	478,679	1,384,500	891,800	996,536

Percentage change in remuneration of CEO and employees

The table below sets out the percentage change in the salary, benefits and annual bonus of the CEO compared to the average amount paid to Computacenter employees in the UK, between the year ended 31 December 2016 and 31 December 2017.

	Salary	Benefits	Annual bonus
CEO	0%	18.5%	89.8%
Computacenter UK-based employees	1.95%	-2.92%	-5.75%

The comparator Group of Computacenter UK-based employees was chosen as the Committee believes it provides a sufficiently large comparator Group based on a similar incentive structure to the CEO and reduces any distortion arising from currency and cost of living differences in other geographies in which the Group operates.

The year-on-year decrease in the bonus number for the UK-based employees is driven principally by UK performance as opposed to the CEO bonus, which is based on Group performance.

The year-on-year decrease in the benefits number for the UK-based employees is due principally to the fact that a number of UK staff receiving TUPE related benefits left Computacenter during the reporting period.

The increase in benefits for the CEO takes into account the increase in taxable value of his car and driver.

Relative importance of spend on pay

The charts below show the relative expenditure of the Group on the pay of its employees, against certain other key financial indicators of the Group:

Expenditure on Group employees' pay		Shareholder distributions		Group adjusted ¹ profit before tax*	
17	£653.0m	17	£27.1m	17	£106.2m
16	£560.0m	16	£26.8m	16	£86.4m

* As well as information prescribed by current remuneration reporting regulations, Group adjusted¹ profit before tax has also been included as this is deemed to be a key performance indicator of the Group which is linked to the delivery of value to our shareholders.

Statement of implementation of remuneration policy in the following financial year

Executive Director Remuneration for 2018 will be in accordance with the terms of our Directors' Remuneration Policy table, as set out on pages 76 to 79 of this report.

2018 base salaries

The base salary of the CEO and the FD will increase by 2.9 per cent to £540,000 and £350,000 respectively from 1 January 2018.

2018 annual bonus

The performance measures and weightings for the 2018 annual bonus will be as follows:

Mike Norris – CEO [2018]



1. Group adjusted¹ profit before tax (up to 50%)
2. Services contribution growth (up to 10%)
3. Cash balance (up to 10%)
4. Cost savings (up to 10%)
5. Personal objectives (up to 20%)

Tony Conophy – FD [2018]



1. Group adjusted¹ profit before tax (up to 50%)
2. Services contribution growth (up to 10%)
3. Cash balance (up to 10%)
4. Cost savings (up to 10%)
5. Personal objectives (up to 20%)

The measures for 2018 have been set to be challenging relative to our 2018 business plan. The targets themselves, as they relate to the 2018 financial year, are deemed by the Committee to be commercially sensitive and therefore have not been disclosed. They will be disclosed at such time as the Committee no longer deems them to be so, and it currently anticipates including these in the Company's 2018 Annual Report and Accounts.

The maximum bonus opportunity for the Executive Directors in 2018 will be 125 per cent of base salary for the CEO, and 100 per cent of base salary for the FD. These awards will be subject to deferral in line with our Policy on page 76.

2018 PSP

The award levels for the Executive Directors in the 2018 financial year are 200 per cent of salary for the CEO and 175 per cent of salary for the FD. The 2018 financial year PSP awards will be subject to the same performance measures and targets as for the 2017 PSP awards as set out above.

The 2018 financial year PSP awards will be subject to a two-year holding period.

Statement of voting

The results of voting on the Directors' Remuneration Report at the Company's 2017 AGM are outlined in the table below:

Votes cast in favour/discretionary		Votes cast against		Total votes cast	Votes withheld/abstentions
104,906,350	99.7%	340,706	0.3%	105,247,056	168,989

The results of voting on the Remuneration Policy at the Company's 2018 General Meeting are outlined in the table below:

Votes cast in favour/discretionary		Votes cast against		Total votes cast	Votes withheld/abstentions
85,365,677	99.6%	317,191	0.4%	85,682,868	10,968

The Committee is grateful for the continuing support of shareholders, and in order to ensure that this continues, the Committee will ensure that it consults with shareholders on major issues on which it feels it is appropriate to do so. It will also continue to adhere to its underlying principle of decision-making that Executive Director pay must be linked to performance and the sustainable delivery of value to our shareholders.

This Annual Remuneration report has been approved by the Board of Directors and signed on its behalf by:

Philip Yea

Chairman of the Remuneration Committee
13 March 2018

RELATIONS WITH SHAREHOLDERS

The Board recognises and values the importance of meeting shareholders to obtain their views and has established a programme to communicate with shareholders, based on the Company's financial reporting calendar.

Dialogue with shareholders

The Board is informed of any substantial changes in the ownership of the Company's shares, through monthly reports from the Company's corporate brokers, Investec plc and Credit Suisse. In addition, meetings are held with major shareholders following both the Annual and Interim results. Normally, these meetings are with the CEO and FD. The Board is briefed on the outcome of these meetings and discusses any issues raised. In addition, the Board receives feedback reports from the Group's investor relations firm, Tulchan Communications LLP, and the corporate brokers.

Once a year, the Company's top 15 shareholders are invited to meet individually with the Chairman, Company Secretary and, on request, the Senior Independent Director, to provide feedback on the Group's Management, strategy and corporate governance arrangements, and to raise other comment. Only a few shareholders take up this opportunity. These meetings will next take place in March and April 2018, to address any areas of discussion prior to the Company's next AGM. Again, the Board will be briefed on the outcomes of these meetings. Non-Executive Directors are available to meet major shareholders at any time and can be contacted through the Company Secretary, at the Company's registered office address.

Constructive use of General Meetings

All of the Directors aim to attend the AGM and value the opportunity to welcome individual shareholders and other investors, to communicate directly and address their questions. In addition to mandatory information, a full, fair and balanced explanation of the business of all general meetings is sent in advance to shareholders. Resolutions at the Company's general meetings have been passed on a show of hands and proxies for and against each resolution (together with any abstentions) are announced at the meetings, noted in the minutes, made available on the Company's website and notified to the market.

Annual General Meeting (AGM)

The AGM of the Company will be held on Friday 18 May 2018 at Computacenter House, 100 Blackfriars Road, SE1 8HL. The AGM notice of meeting sets out each of the resolutions being proposed. This notice will shortly be available at investors.computacenter.com, and will be mailed to shareholders if they have elected to receive hard copies.

Compliance with DTR

The information that is required by DTR 7.2.6, relating to the share capital of the Company, can be found within the Directors' Report from page 92.

This Corporate Governance Report was approved, by order of the Board, and signed on its behalf by:

Raymond Gray
Company Secretary
13 March 2018

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' Responsibilities Statement

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Annual Report from inside front cover to page 97 was approved by the Board of Directors and authorised for issue on 13 March 2018 and signed for on behalf of the Board by:

Mike Norris
Chief Executive
Officer

Tony Conophy
Group Finance
Director

Directors' Report

Computacenter plc is incorporated as a public limited company and is registered in England and Wales with the registered number 3110569. Computacenter plc's registered office address is Hatfield Avenue, Hatfield, Hertfordshire, AL10 9TW. The Company's registrar is Equiniti Limited, which is situated at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

The Directors present the Directors' Report, together with the audited accounts of Computacenter plc and its subsidiary companies (the Group) for the year ended 31 December 2017.

The pages from the inside front cover to 97 of this Annual Report and Accounts are incorporated by reference into the Directors' Report, which has been drawn up and presented in accordance with English company law, and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Strategic Report

The Companies Act 2006 requires the Group to prepare a Strategic Report, which commences at the start of this Annual Report and Accounts up to page 55. The Strategic Report includes information about the Group's operations and business model, particulars of all important events affecting the Company or its subsidiaries, the Group's financial performance in the year and likely future developments, key performance indicators, principal risks and information regarding the Group's sustainable development plan.

Corporate governance

Under Disclosure and Transparency Rule 7.2, the Company is required to include a Corporate Governance Report within the Directors' Report.

Information on our corporate governance practices can be found in the Corporate Governance Report on pages 58 to 90, and the reports of the Audit, Remuneration and Nomination Committees on pages 64, 68 and 74 respectively, all of which are incorporated into the Directors' Report by reference.

Management Report

This Directors' Report, together with the other reports, forms the Management Report for the purposes of Disclosure and Transparency Rule 4.1.8.

Results and dividends

The Group's activities resulted in a profit before tax of £111.7 million [2016: £87.1 million]. The Group profit for the year, attributable to shareholders, amounted to £81.3 million [2016: £63.8 million].

The Directors recommend a final dividend of 18.7 pence per share [2016: 15 pence per share] totalling £21.3 million [2016: £18.2 million]. The dividend record date is set on Friday 1 June 2018, and the shares will be marked ex-dividend on Thursday 31 May 2018. This is in line with the normal dividend procedure timetable as set by the London Stock Exchange.

Following the payment of a first interim dividend for 2017 of 7.4 pence per share on 13 October 2017, the total dividend per share for 2017 will be 26.1 pence per share. The Board has consistently applied the Company's Dividend Policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times. Further detail on the Company's Dividend Policy can be found within the Group Finance Director's review on page 48.

Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders. As such, the amount recognised in the 2017 Annual Report and Accounts, as described in note 12, is made up of the 2016 final dividend (15.0 pence per share) and the 2017 interim dividend (7.4 pence per share).

Articles of Association

The Company's Articles of Association set out the procedures for governing the Company. A copy of the Articles of Association, which were not amended during the reporting period, is available on the Company's website investors.computacenter.com. The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

Directors and Directors' authority

The Directors who served during the year ended 31 December 2017 were Tony Conophy, Philip Hulme, Greg Lock, Mike Norris, Peter Ogden, Minnow Powell, Ros Rivaz, Regine Stachelhaus and Philip Yea.

Biographical details of each Director, as at 31 December 2017, are given on pages 60 and 61. The Company's Articles of Association require that at each AGM, those Directors who were appointed since the last AGM retire, as well as one-third of the Directors who have been the longest serving. The Board has decided, in accordance with the Code, that all Directors will retire at each forthcoming AGM and offer themselves for re-election. The Nomination Committee has considered the re-election of each Director and recommends their re-election. Further details on the Committee's recommendations for the re-election of the Directors are set out in the Notice of AGM, which summarises the skills and experience that the Directors bring to the Board.

Subject to applicable law and the Company's Articles of Association, the Directors may exercise all of the powers of the Company. The Company's Articles of Association provide for a Board of Directors consisting of not fewer than three, but not more than 20 Directors, who manage the business and affairs of the Company. The Directors may appoint additional or replacement Directors, who shall serve until the following AGM of the Company, at which point they will be required to stand for election by the members. A Director may be removed from office by the Company as provided for by applicable law, in certain circumstances set out in the Company's Articles of Association, and at a general meeting of the Company, by the passing of an Ordinary Resolution (provided special notice has been given in accordance with the Companies Act 2006).

Members have previously approved a resolution to give the Directors authority to allot shares, and a renewal of this authority is proposed at the 2018 AGM. This authority allows the Directors to allot shares up to the maximum amount stated in the Notice of AGM (approximately one-third of the issued share capital). In addition, the Company may not allot shares for cash (unless pursuant to an employee share scheme) without first making an offer to existing shareholders in proportion to their existing holdings. This is known as rights of pre-emption. Two resolutions allowing a limited waiver of these rights were passed by the members at last year's AGM. At the Company's 2017 AGM, members also approved a resolution giving delegated authority allowing the Company to make market purchases of its own shares, up to a maximum of 10 per cent of the Company's issued share capital, subject to certain conditions including price of purchase, amongst others. Each of these standard authorities will expire on 30 June 2018, or at the conclusion of the Company's 2018 AGM, whichever is the earlier. The Directors will seek to renew each of the authorities at the 2018 AGM, and full details are provided in the Notice of AGM. As at 28 February 2018, none of these authorities approved by shareholders at the 2017 AGM had been exercised.

Directors' indemnities

The Company has executed deeds of indemnity with each of the Directors. These deeds contain qualifying third-party indemnity provisions, indemnifying the Directors to the extent permitted by law, and remain in force at the date of this report. The indemnities are uncapped and cover all costs, charges, losses and liabilities the Directors may incur to third parties, in the course of acting as Directors of the Company or its subsidiaries.

Directors' conflicts of interest

The Board has put in place a process whereby the Directors are required to notify the Company Secretary of any situations (appointments, holdings or otherwise), or any changes to such, which may give rise to an actual or potential conflict of interest with the Company. These notifications are then reviewed by the Board and recorded in a register maintained by the Company Secretary and, if appropriate, are considered further by the Directors who are not conflicted in the matter, to (if deemed appropriate) authorise the situation. The register of notifications and authorisations is reviewed by the Board twice a year. Where the Board has approved an actual or potential conflict, it has imposed the condition that the conflicted Director abstains from participating in any discussion or decision affected by the conflicted matter.

Directors' interests in shares

The interests of the Directors in the share capital of the Company, at the start and end of the reporting period, were as follows:

	As at 31 December 2017		As at 1 January 2017	
	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial
Executive Directors				
Mike Norris	1,208,088	–	1,142,157	–
Tony Conophy	1,871,668	–	1,786,915	–
Non-Executive Directors				
Greg Lock	600,000	120,000	600,000	70,000
Philip Hulme	10,567,582	10,377,815	10,867,582	10,077,815
Peter Ogden	20,119,473	8,718,748	20,119,473	8,718,748
Minnow Powell	1,340	–	1,340	–
Ros Rivaz	1,382	–	1,382	–
Regine Stachelhaus	–	–	–	–
Philip Yea	8,000	–	8,000	–

Note: Apart from participation in the Tender Offer during February 2018, there has been no grant of, or trading in, shares of the Company between 1 January 2018 and 13 March 2018. For further information on the Tender Offer, and for details on the Directors' participation, refer to the Company's shareholder circular dated 23 January 2018 and to page 53 of the Strategic Report.

Major interests in shares

In accordance with Disclosure and Transparency Rule 5, between 1 January 2017 and 31 December 2017 the Company was notified of the following updates to disclosable interests in its issued ordinary shares:

Name of major shareholder	Percentage of total voting rights held
Investec Asset Management Ltd	4.73

An updated list of the Company's major shareholders is available at investors.computacenter.com.

Capital structure and rights attaching to shares

As at 28 February 2018, there were 122,687,970 fully paid ordinary shares in issue of which the Company held 8,546,861 ordinary shares in treasury. The total number of voting rights in the Company which may be used by shareholders as the denominator for the calculations by which they can determine if they are required to notify their interest in, or a change to their interest in the Company, under the Disclosure and Transparency Rules, is 114,141,109. The percentage of voting rights attributable to those shares it holds in treasury following the share buy-back completed in February 2018 is 6.97 per cent. There are no specific restrictions on the transfer of securities in the Company, which is governed by its Articles of Association and prevailing legislation.

The holders of ordinary shares are entitled, subject to applicable law and the Company's Articles of Association, to:

- have shareholder documents made available to them, including notice of any general meetings of the Company; and
- to attend, speak and exercise voting rights at general meetings of the Company, either in person or by proxy.

The Company is not aware of any arrangements between shareholders which may result in restrictions on the transfer of securities or other voting rights.

Additionally, there were 292,944,196 deferred shares in issue which carry no voting rights. The rights attaching to each of the Company's ordinary shares and deferred shares are set out in its Articles of Association.

Pursuant to the Company's share schemes, there are two employee benefit trusts which, as at the year end, held a total of 1,777,816 ordinary shares of 7½ pence each, representing approximately 1.45 per cent of the issued share capital. During the year, the trusts purchased a total of 959,551 shares in order to ensure that the maturities occurring pursuant to these share option schemes could be satisfied. In the event that shares are held by these trusts before being transferred to employee participants pursuant to the schemes then, in line with good practice, the Trustees do not exercise the voting rights attaching to such shares. The Trustees also have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts. During the 2017 financial year, no ordinary shares in the Company were issued for cash to satisfy the exercise of options exercised under the Company's outstanding option schemes.

In the event that another entity or individual takes control of the Company, the employee share schemes operated by the Company have change of control provisions that would be triggered. Participants may, in certain circumstances, be allowed to exchange their existing options for options of an equivalent value over shares in the acquiring company. Alternatively, the options may vest early, in which case, early vesting under the executive schemes will generally be on a time-apportioned basis and under the Sharesave scheme, employees will only be able to exercise their options to the extent that their accumulated savings allow at that time. During the period no shares were purchased for cancellation. Further detail on the results of the Tender Offer completed in February 2018 can be found in the Group Finance Director's review on page 53.

Significant agreements and relationships

Details regarding the status of the Group's various borrowing facilities are provided in the Group Finance Director's review on pages 52 to 53. These agreements each include a change of control provision, which may result in the facility being withdrawn or amended upon a change of control of the Company. It is also not extraordinary within our business sector for our longer-term Services contracts to contain change of control clauses that allow a counterparty to terminate the relevant contract in the event of a change of control of the Company.

The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control on takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under share schemes and plans to vest on a takeover.

Financial instruments

The Group's financial risk management objectives and policies are discussed in the Group Finance Director's review on page 53.

Employee share schemes

The Company operates executive share option schemes and a performance-related option scheme for the benefit of employees. During the year, no options were granted under the executive share option schemes.

At the year end, the options remaining outstanding under these schemes were in respect of a total of nil ordinary shares of 7½ pence each [2016: nil shares]. During the year options over 30,000 shares were exercised and no options over shares lapsed. The Company also operates a Performance Share Plan (PSP) to incentivise employees. During the year, 783,750 ordinary shares of 7½ pence each were conditionally awarded [2016: 609,748 shares]. At the year end, awards over 1,993,785 shares remained outstanding under this scheme [2016: 1,988,947 shares]. During the year, awards over 542,692 shares were transferred to participants and awards over 226,351 shares lapsed. In addition, the Company operates a Sharesave scheme for the benefit of employees. As at the year end, 4,307,465 options granted under the Sharesave scheme remained outstanding [2016: 4,099,366].

Corporate sustainable development and political donations

The Board recognises that acting in a socially responsible way benefits the community, our customers, shareholders, the environment and employees alike. Further information can be found in the report on pages 26 to 29 and covers matters regarding health and safety, equal opportunities, employee involvement and employee development. During the year, the Group did not make any political donations to any political party or organisation and it did not incur any political expenditure within the meaning of Sections 362 to 379 of the Companies Act 2006.

Equal opportunities

The Group acknowledges the importance of equality and diversity and is committed to equal opportunities throughout the workplace. The Group's policies for recruitment, training, career development and promotion of employees, are based purely on the suitability of the employee and give those who may be disabled equal treatment to their able bodied colleagues. Where an employee becomes disabled subsequent to joining the Group, all efforts are made to enable that employee to continue in their current job. However, if, due to the specific circumstances, it is not possible for an employee to continue in their current job, they will be given suitable training for alternative employment within the Group or elsewhere.

The Group monitors and regularly reviews its policies and practices to ensure that it meets current legislative requirements, as well as its own internal standards. The Group is committed to making full use of the talents and resources of all its employees and to provide a healthy environment that encourages productive and mutually respectful working relationships within the organisation. Policies dealing with equal opportunities are in place in all parts of the Group, which take account of the Group's overall commitment and also address local regulatory requirements.

Employee involvement and development

The Group is committed to involving all employees in significant business issues, especially matters which affect their work and working environment. A variety of methods are used to engage with employees, including team briefings, intranet, email and in-house publications. The Group uses one or more of these channels to brief employees on the Group's performance and the financial and economic factors affecting the Group's performance. The primary method used to engage and consult with employees is through team briefings, where managers are tasked with ensuring that information sharing, discussion and feedback happen on a regular basis.

Employee consultative forums exist in each Group country, to consult staff on major issues affecting employment and matters of policy, and to enable Management to seek the views and opinions of employees on a wide range of business matters. Should there be cross-jurisdictional issues to discuss, a facility exists to engage a European forum made up of representatives from each country forum.

The Group regularly reviews the performance of its employees through a formal review process, to identify areas for development. Managers are responsible for setting and reviewing personal objectives, aligned to corporate and functional goals. The Board closely oversees and monitors Management skills and the development of talent to meet the current and future needs of the Group. The Board directly monitors and closely reviews succession and plans for developing identified key senior managers.

The development of employee skills and careers, as well as the communication of the Group's goals, are driven by our Winning Together processes and tools. Annual assessments via our Winning Together processes and tools are a formal requirement of all managers.

The Group operates a Save As You Earn (SAYE) share scheme, which is open to eligible employees, where employees are encouraged to save a fixed monthly sum for a period of either three and/or five years. Upon maturity of the scheme, participants can purchase shares in the Company at a price set at the start of the savings period.

Business ethics

A Group Ethics policy is in place, which commits employees to the highest standards of ethical behaviour in respect of customers, suppliers, colleagues and other stakeholders in the business. The policy includes a requirement for all employees to report abuses or non-conformance with the policy and sets out the procedures to be followed.

Going concern

The Directors' statement regarding adoption of the going concern basis of accounting in preparation of the annual Consolidated Financial Statements is set out within the Strategic Report on page 54.

Long-term Viability Statement

The Directors' statement regarding the long-term viability of the Company is set out within the Strategic Report on page 55.

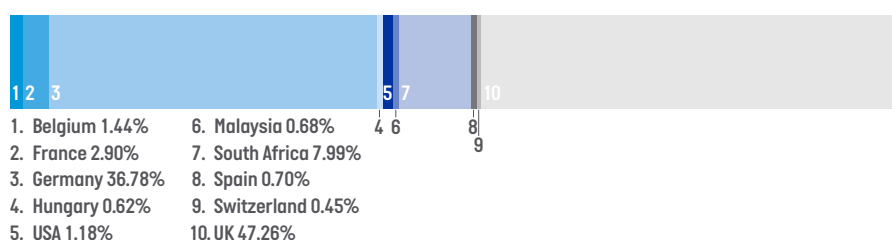
Greenhouse gas emissions

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from Group activities. Details of this can be found below. Further details of our environmental policies and programmes can be found on our corporate website investors.computacenter.com.

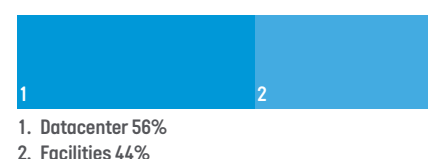
Computacenter plc mandatory greenhouse gas emissions reporting	Methodology	Recent UK-based emission reduction projects												
Global GHG emissions data for period: 1 January to 31 December 2017.	We have used the main requirements of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition).	Continued investments in new technology helping reduce emissions in datacenters. The electricity used in the datacenters is circa 56 per cent of the total for the UK. These datacenters host customers' Information Technology in the form of servers thus reducing their carbon footprint; however, this increases the emissions for Computacenter as we become the landlord.												
Emissions = metric tonnes of CO ₂ e	Emission factors used are from the UK Government's Conversion Factors supplied by Defra.													
<table border="1"> <thead> <tr> <th>Year</th><th>2017</th><th>2016</th></tr> </thead> <tbody> <tr> <td>Scope 1</td><td>3,352</td><td>3,304</td></tr> <tr> <td>Scope 2</td><td>19,310</td><td>22,214</td></tr> <tr> <td>Total</td><td>22,662</td><td>25,518</td></tr> </tbody> </table>	Year	2017	2016	Scope 1	3,352	3,304	Scope 2	19,310	22,214	Total	22,662	25,518	Based on external consultants Excel spreadsheets were further developed internally to include the full requirements to collate the additional emissions such as refrigerants.	Computacenter datacenters continually adopt best practices in this field and are signed up to the European Code of Conduct for datacenters. This year we attended the best practice review meeting at the European Commission Joint Research Centre in Italy discussing progress and new initiatives. Our 2017 projects delivered a 10 per cent kwh reduction in one datacenter saving 117 tonnes of CO ₂ ; this is the equivalent of 40 tonnes of coal burned for electricity or the energy associated with continually powering a 42 inch TV for 79.8 years. Activities included installation of intelligent lighting and mechanical cooling optimisation. We have more exciting projects planned for 2018.
Year	2017	2016												
Scope 1	3,352	3,304												
Scope 2	19,310	22,214												
Total	22,662	25,518												
Scope 1 = Combustion of fuel and refrigerants usage Scope 2 = Electricity, heat, steam and cooling purchased for own use	This activity has been conducted as part of our UK Environment Management System registered to ISO 14001:2004 (EMS 71255).	The UK warehouse continued to have more lighting replaced with energy efficient LED devices.												
Group's chosen intensity measurements: Emissions as reported above are 6.20 metric tonnes per £m value of Group revenue (2016: 7.86, a decline of 21 per cent).	Group properties included in this report are all current locations in the UK, Germany, France, Belgium, Spain, South Africa, USA, Switzerland, Malaysia, China, Mexico and Hungary.	The Blackfriars office refurbishment was completed in January 2017 and included an air conditioning upgrade to a more energy efficient system, LED lighting throughout the building and new electrics.												
Emissions as reported above are 1.54 metric tonnes per Group employee (2016: 1.80, a decline of 14 per cent).	We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.	Environmental awareness training has been rolled out to UK employees with the aim of making everyone aware of energy waste and the potential savings that could be made in the future.												
	Limitations to data collection Less than 5 per cent of emissions were estimated or based on an average energy usage per square foot of space occupied.													
Energy Efficiency Scheme (CRC) [CRC8804716]	The UK continues to fully comply with this scheme registered as a participant.													
Packaging Waste Regulation	Via the compliance company Paperpak, the UK are registered as a distributor of product ensuring full compliance since 2000.													
ISO 14001:2004 [EMS 71255]	The EMS of the UK has been registered to this standard since 2003.													
Energy Savings Opportunity Scheme (ESOS)	Computacenter complied with this new law by submitting our energy report which covers the period 5 December 2015 to 4 December 2019.													

The chart below shows how the emissions are split by country showing the percentage:

Emissions = 22,662 metric tonnes of CO₂e



The chart below shows how the UK Energy Usage is divided by percentage:



Auditor

A resolution to reappoint KPMG LLP as auditor of the Group was approved by the Company's shareholders at the Company's 2017 AGM.

A resolution to reappoint KPMG LLP as the auditor of the Group will be put to shareholders at the forthcoming 2018 AGM.

Disclosure of information to auditor

In accordance with Section 418 of the Companies Act 2006, each of the persons who is a Director at the date of approval of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditor is unaware; and
- each Director has taken all steps a Director might reasonably be expected to have taken, to be aware of relevant audit information and to establish that the Group's auditor is aware of that information.

Listing rule (LR) disclosures

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R are set out below along with cross references indicating where the relevant information is otherwise set out in the Annual Report and Accounts or can be found in the following locations:

Interest capitalised	N/A
Publication of unaudited financial information	N/A
Details of performance share plans	Details of the Company's performance share plan scheme can be found in the Remuneration Committee Report on page 77.
Waiver of emoluments by a Director	N/A
Waiver of future emoluments by a Director	N/A
Non pre-emptive issues of equity for cash	N/A
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	N/A
Contracts of significance	Details of significant contracts are set out in the Group Finance Director's review on pages 52 to 53. Details of transactions with related parties are set out on page 150 in note 33 to the Consolidated Financial Statements.
Provision of services by a controlling shareholder	N/A
Shareholder waiver of dividends	The Trustees of the Company's employee share schemes have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.
Shareholder waiver of future dividends	The Trustees of the Company's employee share schemes have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.
Agreements with controlling shareholder	Any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30 per cent or more of the votes able to be cast on all or substantially all matters at general meetings are known as 'controlling shareholders'. The Financial Conduct Authority's Listing Rules now require companies with controlling shareholders to enter into a written and legally binding agreement (a Relationship Agreement) which is intended to ensure that the controlling shareholder complies with certain 'independence related' provisions. The Company confirms that it has undertaken a thorough process during the reporting period to review whether it has any 'controlling shareholders'. Following this process, it was determined that there was no requirement on the Company to enter into a Relationship Agreement with any of its shareholders. The Company confirms that this remains the case as at 31 December 2017, but will keep the matter under review.

MJ Norris
Chief Executive Officer
13 March 2018

FA Conophy
Group Finance Director
13 March 2018

Independent auditor's report to the members of Computacenter plc



1. Our opinion is unmodified

We have audited the financial statements of Computacenter plc ('the Company') for the year ended 31 December 2017 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated balance sheet, Consolidated statement of changes in equity, Consolidated cash flow statement, Company balance sheet and Company statement of changes in equity and the related notes, including the accounting policies in note 2. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

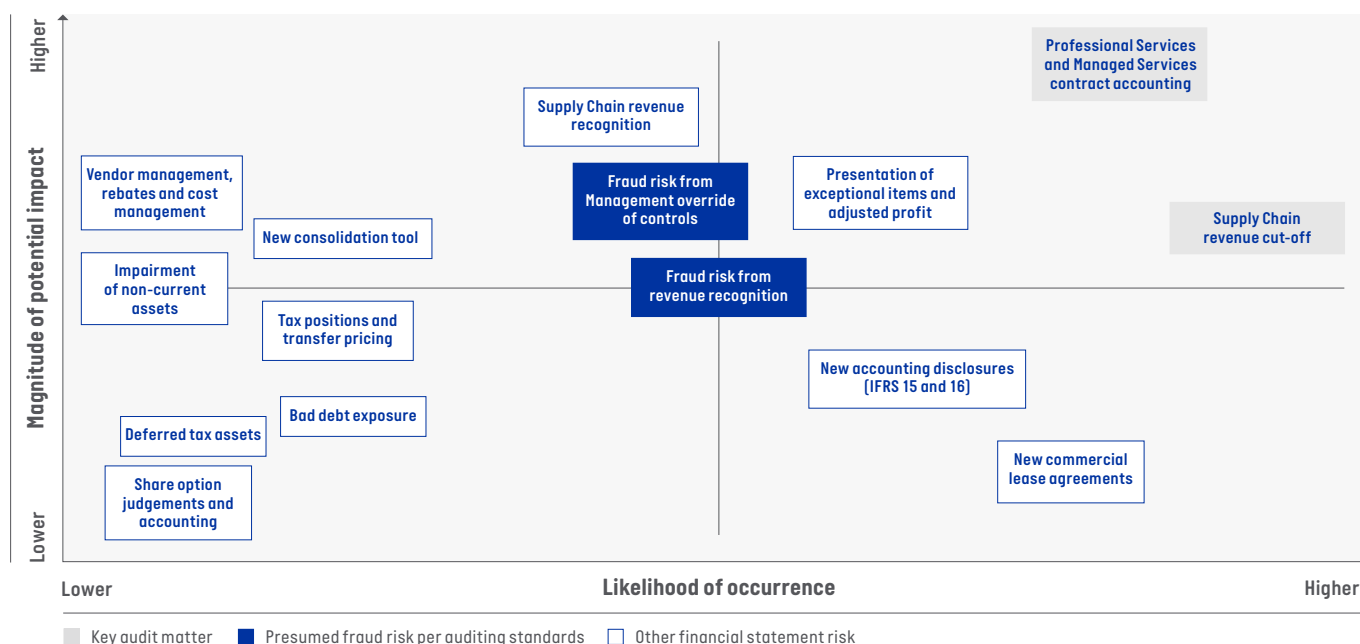
We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders on 19 May 2015. The period of total uninterrupted engagement is for the three financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole		£4.5m [2016:£4.0m] 4.2% [2016: 4.7%] of normalised profit before tax
Coverage		93%[2016: 92%] of Group profit before tax
Risks of material misstatement		vs 2016
Recurring risks	Professional Services and Managed Services contract accounting	< >
	Supply Chain revenue cut-off	< >
	Recoverability of Parent Company's investment in subsidiaries (Parent)	< >

2. Key audit matters: our assessment of risks of material misstatement

When planning our audit we made an assessment of the relative significance of the key risks of material misstatement to the Group financial statements initially without taking account of the effectiveness of controls implemented by the Group. As part of our audit planning procedures, we presented and discussed our initial assessment of key risks to the Audit Committee. This is shown in our risk map below and identified two key audit matters that were expected to have the greatest effect on our audit. Throughout our audit we continually reassess the significance of each of these key audit matters. We made no changes to the key audit matters initially reported to the Audit Committee.



Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

We summarise below, the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Revenue – Professional Services and Managed Services contract accounting (£1,157.2 million; 2016: £1,037.8 million)	Subjective estimate The contractual arrangements that underpin the measurement and recognition of revenue by the Group can be complex, with significant estimation of future financial performance in fulfilment of the contract required. Key sources of estimation uncertainty include: <ul style="list-style-type: none"> assessment of stage of completion by reference to estimated costs to complete a contract. These significant estimates include total contract costs taking into consideration contract risks, technical risks, and other delivery assumptions; and where an onerous contract provision is required, estimation is required in assessing the level of provision, including estimated cost to complete and total contract revenue, taking into account performance and delivery risks to the end of the contract, contractual obligations, extension periods and customer negotiations. 	Our procedures included: Contracts were selected for substantive audit procedures based on qualitative factors, such as commercial complexity, and quantitative factors, such as financial significance and profitability that we considered to be indicative of risk. Our audit testing for the contracts selected included the following: <ul style="list-style-type: none"> Our sector expertise: Assessing whether the revenue recognition methodology applied was consistent with accounting standards. Our sector expertise: Inspecting and challenging accounting papers prepared by the Group to understand the support provided in respect of key contract estimates and onerous contract provisions. Tests of detail: Inspecting the detailed contractual terms to identify the service obligations and inspecting customer sign-off on acceptance of the sample of deliverables to determine the appropriateness of revenue recognition. Tests of detail: Consider contradictory evidence for future forecast costs including the risks and estimates within these forecasts by obtaining evidence through discussions with key management personnel, relevant correspondence with customers and delivery performance to date. Tests of detail: Inspecting relevant correspondence with customers and third parties, in instances where contractual variations and claims have arisen on selected contracts, to inform our assessment of the revenue and costs recorded up to the balance sheet date on those contracts. Historical comparisons: Comparing the previous contract forecasts to historic and in year performance to assess the historical accuracy of the forecasts for a sample of completed projects in the year and specifically for those contracts where an onerous contract provision is recorded. Assessing transparency: Assessing the adequacy of the Group's disclosure about estimation uncertainty regarding Managed and Professional Services revenue;
Refer to page 70 [Audit Committee Report], pages 109 to 117 (accounting policy) and pages 118 to 157 (financial disclosures).		Our results <ul style="list-style-type: none"> We found the resulting estimates of revenue to be mildly cautious (2016 finding: mildly cautious). We found the Group's disclosures to be proportionate in their description of the estimation uncertainty regarding Managed and Professional Services revenue.

	The risk	Our response
<p>Revenue – Supply Chain revenue cut-off (£2,636.2 million; 2016: £2,207.6 million)</p> <p>Refer to page 70 (Audit Committee Report), pages 109 to 117 (accounting policy) and pages 118 to 157 (financial disclosures).</p>	<p>2017/2018 sales</p> <p>Supply Chain revenue includes revenues from numerous product groups each sold with varying contractual terms and conditions that in turn impact the point in time at which all delivery obligations, and therefore the transfer of the risks and reward of ownership, have been fulfilled, and hence revenue is recognised.</p> <p>Whilst there is little judgment required in identifying the appropriate accounting policy, the volume of orders close to year-end gives rise to some risk that revenue is recognised too early or late.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Control operation: Testing automated controls that are designed to ensure that Supply Chain revenue transactions are recognised in accordance with the Group's accounting policies. • Tests of details: Inspecting proof of delivery or signed buy and store agreements for a sample of orders selected close to year-end in order to assess whether the policy had been correctly applied to recognise revenue in the appropriate period. This sample is selected on the basis of a statistical sample methodology combined with items over a determined threshold. • Tests of details: Inspecting sales invoices and proof of delivery for a sample of credit notes raised subsequent to the year end in order to assess whether Supply Chain revenue related to a valid sale and was recognised in the correct period, and whether there were any systemic issues around revenue cut-off. <p>Our results</p> <ul style="list-style-type: none"> • Our testing over Supply Chain cut-off did not find any accounting errors (2016: no errors found).
<p>Recoverability of Parent Company's investment in subsidiaries (£206.8 million; 2016: £200.6 million)</p> <p>Refer to page 70 (Audit Committee Report), pages 109 to 117 (accounting policy) and pages 118 to 157 (financial disclosures).</p>	<p>Low risk, high value</p> <p>The carrying amount of the Parent Company's investments in subsidiaries represents 47% (2016: 49%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Tests of detail: Comparing the carrying amount of material investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • Assessing subsidiary audits: Assessing the work performed by the subsidiary audit teams of those subsidiaries where audits are performed and considering the results of that work on those subsidiaries' profits and net assets. • Our sector experience: For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based upon a simple discounted cash flow model. <p>Our results</p> <ul style="list-style-type: none"> • We found the Group's assessment of the recoverability of the investment in subsidiaries to be balanced (2016: balanced).

We continue to perform procedures over the presentation of exceptional items and adjusted profit. However, following a reduction in the level of judgement around these items and an established track record of compliance, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £4.5m [2016: £4.0m], determined with reference to a benchmark of group profit before tax of £106.0m [2016: £85.7m], normalised to exclude this year's exceptional items as disclosed in note 6, of which it represents 4.2% [2016: 4.7%].

Materiality for the Parent Company financial statements as a whole was set at £4.0 [2016: £3.5m], determined with reference to a benchmark of Company total assets, of which it represents 0.9% [2016: 0.9%].

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1m [2016: £0.1m], in addition to other identified misstatements that warranted reporting on qualitative grounds.

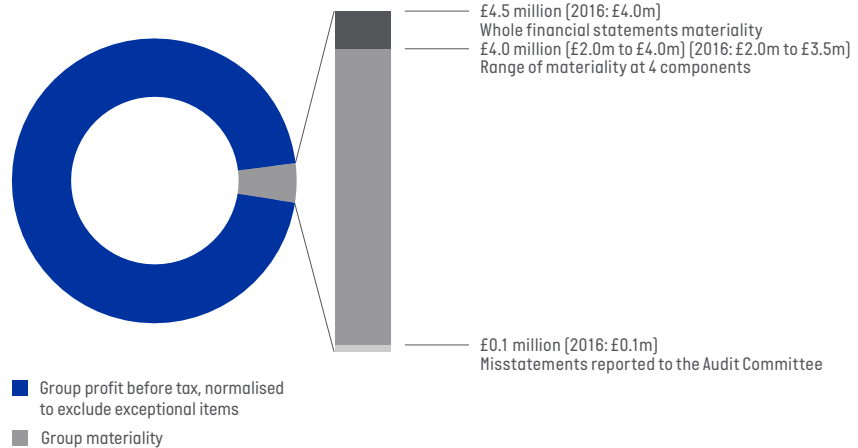
The Group operates a Shared Service Centre (SSC) in Budapest, Hungary, the outputs of which are included in the financial information of the three reporting components subject to full scope audit and therefore it is not a separate reporting component. Audit procedures were performed at the SSC which focus on the testing of trade receivables and trade payables transaction processing.

Of the Group's 16 [2016: 15] reporting components, we subjected four [2016: four] to full scope audits for Group purposes. The components within the scope of our work accounted for the percentages illustrated opposite. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

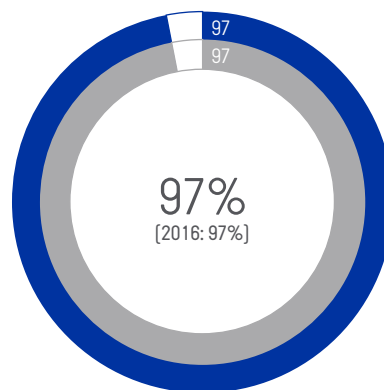
The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component's materialities, which ranged from £2.0m to £4.0m [2016: £2.0m to £3.5m], having regard to the mix of size and risk profile of the Group across the components. The work on two of the four components [2016: two of the four components] was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team. For those items excluded from normalised Group profit before tax, the component teams performed procedures on items relating to their components. The Group team performed procedures on the remaining excluded items.

The Group team visited the two overseas component locations in France and Germany, in addition to the Shared Service Centre in Hungary [2016: France and Germany] to assess the audit risk and strategy. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

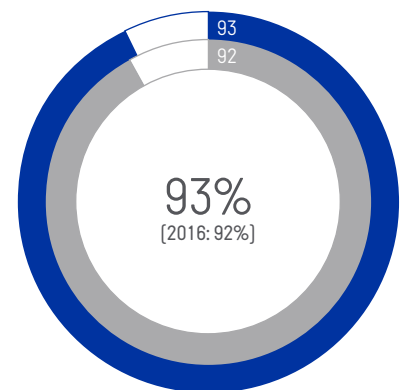
Group profit before tax, normalised to exclude exceptional items
£106.0m [2016: £85.7m]



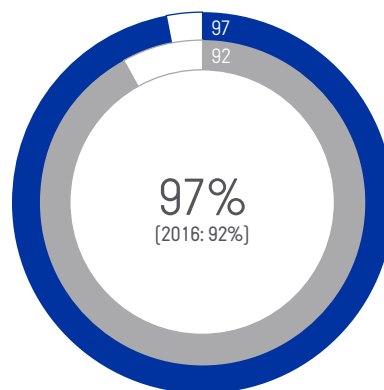
Group revenue



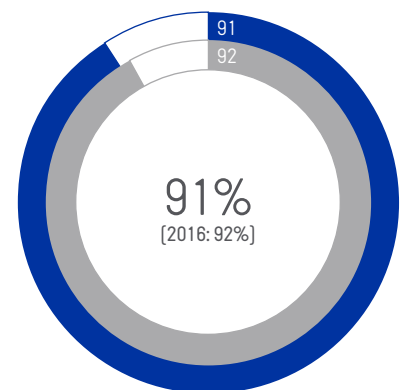
Group profit before tax



Group total assets



Group profit before exceptional items and tax



■ Full scope for group audit purposes 2017 ■ Full scope for group audit purposes 2016 □ Residual components

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement on page 95 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the same statement is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 11 provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities Directors' responsibilities

As explained more fully in their statement set out on page 91, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience, through discussion with the Directors and other management (as required by auditing standards).

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, anti-bribery and employment law, recognising the nature of the Group's activities. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the Directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities). As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Tudor Aw (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
13 March 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	4	3,793,371	3,245,397
Cost of sales		(3,297,142)	(2,817,350)
Gross profit		496,229	428,047
Administrative expenses		(390,583)	(341,668)
Operating profit:			
Before amortisation of acquired intangibles and exceptional items		105,646	86,379
Amortisation of acquired intangibles		(225)	(710)
Exceptional items	6	1,371	1,876
Operating profit		106,792	87,545
Exceptional gain on disposal of an investment property	6	4,320	–
Exceptional loss on disposal of a subsidiary	6	–	(522)
Finance income	8	1,521	1,629
Finance costs	9	(938)	(1,579)
Profit before tax		111,695	87,073
Income tax expense:			
Before exceptional items		(30,030)	(23,108)
Exceptional items	6	(351)	(192)
Income tax expense	10	(30,381)	(23,300)
Profit for the year		81,314	63,773
Attributable to:			
Equity holders of the Parent		81,314	63,773
Profit for the year		81,314	63,773
Earnings per share:			
– basic	11	67.3p	52.9p
– diluted	11	66.5p	52.3p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

FINANCIAL STATEMENTS
ANNUAL REPORT AND ACCOUNTS 2017

	2017 £'000	2016 £'000
Profit for the year	81,314	63,773
<i>Items that may be reclassified to consolidated income statement:</i>		
Gain arising on cash flow hedge, net of amount transferred to consolidated income statement	217	5,353
Income tax effect	(37)	(879)
	180	4,474
Exchange differences on translation of foreign operations	4,994	29,374
	5,174	33,848
<i>Items not to be reclassified to consolidated income statement:</i>		
Remeasurement of defined benefit plan	(668)	(710)
Other comprehensive income for the year, net of tax	4,506	33,138
Total comprehensive income for the year	85,820	96,911
Attributable to:		
Equity holders of the Parent	85,820	96,909
Non-controlling interests	–	2
	85,820	96,911

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Property, plant and equipment	13	77,904	63,020
Investment property	14	–	10,033
Intangible assets	15	80,335	76,285
Investment in associate	17a	56	55
Deferred income tax asset	10d	9,063	10,537
		167,358	159,930
Current assets			
Inventories	18	69,289	44,015
Trade and other receivables	19	835,446	740,371
Prepayments		59,679	58,959
Accrued income		102,922	80,554
Derivative financial instruments	23	8,209	8,127
Current asset investments	30	–	30,000
Cash and short-term deposits	20	206,605	118,676
		1,282,150	1,080,702
Total assets		1,449,508	1,240,632
Current liabilities			
Trade and other payables	21	791,980	679,538
Deferred income		113,875	102,112
Financial liabilities	22	3,755	2,352
Derivative financial instruments	23	1,196	273
Income tax payable		28,422	17,410
Provisions	25	1,681	3,075
		940,909	804,760
Non-current liabilities			
Financial liabilities	22	11,663	1,832
Provisions	25	7,599	5,732
Deferred income tax liabilities	10d	477	341
		19,739	7,905
Total liabilities		960,648	812,665
Net assets		488,860	427,967
Capital and reserves			
Issued share capital	28	9,299	9,299
Share premium	28	3,913	3,913
Capital redemption reserve	28	74,957	74,957
Own shares held	28	(11,360)	(12,115)
Translation and hedging reserves	28	27,859	22,685
Retained earnings		384,178	329,214
Shareholders' equity		488,846	427,953
Non-controlling interests		14	14
Total equity		488,860	427,967

Approved by the Board on 13 March 2018.

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Statement of Changes in Equity

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	Attributable to equity holders of the Parent						Total £'000	Non- controlling interests £'000	Total equity £'000
	Issued share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Translation and hedging reserves £'000	Retained earnings £'000			
At 1 January 2017	9,299	3,913	74,957	(12,115)	22,685	329,214	427,953	14	427,967
Profit for the year	–	–	–	–	–	81,314	81,314	–	81,314
Other comprehensive income	–	–	–	–	5,174	(668)	4,506	–	4,506
Total comprehensive income	–	–	–	–	5,174	80,646	85,820	–	85,820
Cost of share-based payments	–	–	–	–	–	6,200	6,200	–	6,200
Tax on share-based payments	–	–	–	–	–	1,619	1,619	–	1,619
Exercise of options	–	–	–	9,613	–	(6,389)	3,224	–	3,224
Purchase of own shares	–	–	–	(8,858)	–	–	(8,858)	–	(8,858)
Equity dividends	–	–	–	–	–	(27,112)	(27,112)	–	(27,112)
At 31 December 2017	9,299	3,913	74,957	(11,360)	27,859	384,178	488,846	14	488,860
At 1 January 2016	9,297	3,830	74,957	(10,571)	(11,161)	295,086	361,438	12	361,450
Profit for the year	–	–	–	–	–	63,773	63,773	–	63,773
Other comprehensive income	–	–	–	–	33,846	(710)	33,136	2	33,138
Total comprehensive income	–	–	–	–	33,846	63,063	96,909	2	96,911
Cost of share-based payments	–	–	–	–	–	3,345	3,345	–	3,345
Tax on share-based payments	–	–	–	–	–	236	236	–	236
Exercise of options	–	–	–	7,449	–	(5,714)	1,735	–	1,735
Issue of shares	2	83	–	–	–	–	85	–	85
Purchase of own shares	–	–	–	(8,993)	–	–	(8,993)	–	(8,993)
Equity dividends	–	–	–	–	–	(26,802)	(26,802)	–	(26,802)
At 31 December 2016	9,299	3,913	74,957	(12,115)	22,685	329,214	427,953	14	427,967

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Operating activities			
Profit before tax		111,695	87,073
Net finance income		(583)	(50)
Depreciation of property, plant and equipment	13	16,384	15,631
Depreciation of investment property	14	91	227
Amortisation of intangible assets	15	12,237	13,197
Share-based payments		6,200	3,345
[Gain]/loss on disposal of property, plant and equipment		(535)	168
Exceptional gain on disposal of an investment property	6	(4,320)	–
[Gain]/loss on disposal of intangibles		(688)	25
Exceptional loss on disposal of a subsidiary		–	522
Net cash flow from inventories		(23,583)	7,185
Net cash flow from trade and other receivables		(94,718)	(73,980)
Net cash flow from trade and other payables		99,004	31,377
Net cash flow from provisions		281	(2,149)
Other adjustments		(477)	374
Cash generated from operations		120,988	82,945
Income taxes paid		(14,881)	(14,711)
Net cash flow from operating activities		106,107	68,234
Investing activities			
Interest received		1,521	1,629
Decrease/(increase) in current asset investments		30,000	(15,000)
Acquisition of subsidiaries, net of cash acquired		(7,376)	–
Proceeds from disposal of a subsidiary, net of cash disposed of		–	(319)
Proceeds from disposal of property, plant and equipment		915	112
Proceeds from sale of investment property		14,450	–
Proceeds from sale of intangible assets		1,381	–
Purchases of property, plant and equipment	13	(30,439)	(17,641)
Purchases of intangible assets	15	(9,618)	(4,943)
Net cash flow from investing activities		834	(36,162)
Financing activities			
Interest paid		(938)	(1,579)
Dividends paid to equity shareholders of the Parent	12	(27,112)	(26,802)
Proceeds from share issues		3,224	1,820
Purchase of own shares		(8,858)	(8,993)
Repayment of capital element of finance leases		(1,676)	(2,679)
Repayment of loans		(632)	(1,101)
New borrowings – finance leases		3,162	1,512
New borrowings – bank loan		10,591	–
Net cash flow from financing activities		(22,239)	(37,822)
Increase/(decrease) in cash and cash equivalents		84,702	(5,750)
Effect of exchange rates on cash and cash equivalents		3,221	12,746
Cash and cash equivalents at the beginning of the year	20	118,676	111,680
Cash and cash equivalents at the year end	20	206,599	118,676

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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1 Authorisation of Consolidated Financial Statements and statement of compliance with IFRS

The Consolidated Financial Statements of Computacenter plc (Parent Company or the Company) and its subsidiaries (the Group) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 13 March 2018. The Consolidated 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 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the Consolidated Financial Statements of the Group for the year ended 31 December 2017 and applied in accordance with the Companies Act 2006.

2 Summary of significant accounting policies

The accounting policies adopted in the preparation of these Consolidated Financial Statements are consistent with those followed in the preparation of the Consolidated Financial Statements for the year ended 31 December 2016, except for the adoption of new and amended IFRS that are applicable to the Group for the year ended 31 December 2017. Adoption of these standards did not have any effect on the financial performance or position of the Group.

The other pronouncements which came into force during the year were not relevant to the Group.

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in years beginning after 31 December 2017. Management's assessment of the impact and accepted best practice is ongoing of the three new standards discussed in detail below.

Effective for the year ending 31 December 2018

IFRS 15 Revenue from Contracts with Customers (IFRS 15).

IFRS 15 becomes effective for the Group on 1 January 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method).

Further analysis of the impact of transition to IFRS 15 has been performed since the publication of our 2017 Interim Report where we highlighted our preliminary analysis.

Due to the change in the primary indicators used to assess the 'agent/principal' presentation of revenue, from the previous standard to IFRS 15, the judgements held under the previous standard have been reviewed. Our preliminary assessment was based upon our general contractual terms and conditions. Following this process, we concluded that there was a finely balanced judgement which would result in a change in presentation of our Supply Chain Software revenues and, potentially, certain Resold Service revenues to 'agency' revenue on a net basis compared to the current presentation as gross 'principal' revenue. Following further evaluation, including detailed analysis of how terms and conditions are applied in practice, the weighting applied to the agent/principal indicators and evaluation of emerging practice, we have concluded that, whilst this remains a finely balanced judgement, no change to the presentation of those revenue streams is required on transition to IFRS 15. Revenue for these items will continue to be presented gross from 1 January 2018, when this assessment will form part of the critical judgements for the Group.

In our 2017 Interim Report, we also reported that an adjustment was expected in relation to onerous contracts, as fewer onerous contract provisions were expected to be required from 1 January 2018. Our current practice is to account for onerous contracts under IAS 11, 'Construction contracts'. Under IAS 11, certain costs, such as allocated overheads, are allowed to be taken into account when considering what constitutes 'unavoidable' costs of a contract, impacting whether the contract is considered to be onerous. From 1 January 2018 onwards, IAS 11 will no longer be applicable and onerous contracts will need to be considered under IAS 37, 'Provisions, contingent liabilities and contingent assets'. At the date of publication of our 2017 Interim Report, we believed that IAS 37 did not allow for the inclusion of overheads as 'unavoidable' costs when considering if a contract is onerous. We thus concluded that our approach would need to change from 1 January 2018. Subsequent to the publication of our 2017 Interim Report, we became aware of an agenda decision published by the IFRS Interpretations Committee outlining that the current wording of IAS 37 allows for two interpretations of what can constitute 'unavoidable' costs when determining whether a contract is onerous. One of the acceptable interpretations noted by the Committee is in line with our current practice; to consider costs such as overhead allocations as 'unavoidable'. The matter has been put on the agenda for future discussion at the IFRS Interpretations Committee with a view to drafting clarifications to IAS 37. Until such time as there is clarity on this matter, we have concluded that our current approach remains acceptable. As a result, we do not expect to change our method for the assessment of onerous contracts upon transition to IFRS 15.

On transition, the Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented. As noted in our 2017 Interim Report, upon transition to IFRS 15, we continue to expect adjustments in relation to:

- certain costs, such as win fees (a form of commission) will need to be capitalised and spread over the life of the contract, as opposed to being expensed as incurred; and
- certain elements of our Managed Services contracts, for example those relating to Entry into Service, will no longer be treated as separate performance obligations for which revenue and costs are recognised as incurred, but rather will be treated as part of the ongoing performance obligations in the contract. This will result in the revenue and costs for Entry into Service being recognised over the life of the contracts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

continued

2 Summary of significant accounting policies continued

The expected impact of these items to our equity as at 1 January 2018 is summarised in the table below. There is no impact on cash flows nor on the ultimate long-term cumulative profits of the Group.

	As reported at 31 December 2017 £'000	Estimated adjustments due to adoption of IFRS 15 £'000	Estimated opening balance at 1 January 2018 £'000
Translation and hedging reserves	27,859	109	27,968
Retained earnings	284,178	8,024	292,202

IFRS 9 Financial Instruments – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (IFRS 9).

IFRS 9 replaces IAS 39 Financial Instruments – Recognition and Measurement (IAS 39) and will be effective for annual periods beginning on or after 1 January 2018. From the point of the Group, IFRS 9 has introduced three key changes when compared to IAS 39:

- the classification and measurement of financial assets and financial liabilities;
- impairment of financial assets, an introduction of Expected Credit Loss (ECL) model; and
- Hedge accounting, which provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The Group has evaluated the impact of IFRS 9 and based on preliminary assessment of the impact, we concluded that it does not expect a material impact on the recognition and measurement of income and costs in the Consolidated Income Statement or of assets and liabilities in the Consolidated Balance Sheet. The Group has assessed the classification and measurement of certain financial assets on the Consolidated Balance Sheet and concluded that that whilst there will be changes in classification, there is no expected material impact on results. Further, the nature of the Group's cash flow hedge arrangements and the significance of its bad debt risk means that the impact of IFRS 9 will be immaterial in respect of these items. IFRS 9 requires certain additional disclosures, in particular which the Group will make in the future.

Effective for the year ending 31 December 2019

IFRS 16 Leases (IFRS 16).

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. IFRS 16 represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model, and as such, requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. Accounting requirements for lessors are substantially unchanged from IAS 17. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments (some £147.5 million on an undiscounted basis, as shown in note 24 of the Consolidated Financial Statements) would be brought on the Consolidated Balance Sheet and amortised and depreciated separately. There will be no impact on cash flows although the presentation of the cash flow statement will change significantly. Management has implemented a new system to enable to report under IFRS 16, however the work on the new processes is ongoing.

2.1. Basis of preparation

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

The Consolidated Financial Statements are presented in pounds sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

2.2. Basis of consolidation

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

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

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

2.2.1. Foreign currency translation

The Group's presentation currency is pounds sterling. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Consolidated Balance Sheet date. All differences are taken to the Consolidated Income Statement.

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

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

2.3. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and rebates given to customers, VAT and other sales tax or duty. In contracts with customers, where more than one good (Supply Chain) or service (Professional Services or Managed Services) is provided to the customer, consideration is allocated between Supply Chain, Professional Services and Managed Services using relative fair value principal. The following specific recognition criteria must also be met before revenue is recognised:

2.3.1. Supply Chain

The Group supplies hardware and software (together as 'goods') to customers that is sourced from and delivered by a number of suppliers.

Supply Chain revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods.

2.3.2. Professional Services

The Group provides skilled professionals to customers either on a 'resource on demand' basis where the revenue is billed on a timesheet basis, or operating within a project framework where revenue is recognised with reference to the costs incurred as a proportion of the total estimated costs (percentage of completion basis) of the contract. Unbilled revenue is recognised within accrued income. If the total estimated costs and revenues of a contract cannot be reliably estimated, revenue is recognised only to the extent that costs have been incurred. A provision is made as soon as a loss is foreseen.

2.3.3. Managed Services

The Group sells maintenance, support and management of customer's IT infrastructures and operations.

The Group identifies individual revenue generating activities or performance obligations within each contract and allocates revenue between them. This revenue is then assessed for recognition purposes based on the nature of the activity.

Managed Services revenue is recognised over the term of the contract as services are delivered. Unearned Managed Services revenue is included within deferred income in the Consolidated Balance Sheet. Amounts invoiced relating to more than one year are deferred and recognised over the relevant period. Where a contract contains several elements, the individual elements are accounted for separately where appropriate and revenue thereon is measured at the fair value of the consideration received. The related costs are recognised as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (Entry into Service and/or transformation costs) may be deferred when they are specific to a given contract and/or will generate future economic benefits, and are recoverable. These costs are allocated to accrued income and any reimbursement by the client is recorded as a deduction from the costs incurred.

On a limited number of Managed Services contracts revenue is recognised on a percentage of completion basis which is determined by reference to the costs incurred as a proportion of the total estimated costs of the contract (see note 3.1.1 for further detail). Unbilled revenue is recognised within accrued income. If a contract cannot be reliably estimated, revenue is restricted to the extent that it is probable that costs incurred will be recoverable.

2.3.4. Bid and set-up costs

The Group operates in a highly competitive environment and is frequently involved in contract bids with multiple competitors with the outcome usually unknown until the contract is awarded and signed.

Any bid costs incurred by the Group's Central Bid Management Engines are not capitalised or charged to the contract, but instead directly charged to selling, general and administrative expenses as they are incurred. These costs associated with bids are not separately identifiable nor can they be measured reliably as the Group's internal bid team's work across multiple bids at any one time. Further, it cannot be assessed as probable that the contract will be obtained until the tender process has completed and the contract has been awarded.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

continued

2 Summary of significant accounting policies continued

2.3.5. Finance income

Income is recognised as interest accrues.

2.3.6. Operating lease income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

2.4. Exceptional items

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

2.5. Adjusted¹ measures

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

These non-GAAP measures comprise of:

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

Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale.

A reconciliation between key adjusted and statutory measures is provided on page 49 of the Group Finance Director's review which details the impact of exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS. Further detail is also provided within note 4, Segment Information.

2.6. Impairment of assets

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

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

2.7. Property, plant and equipment

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

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

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

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

2.8. Leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term.

2.9. Investment property

Investment property is defined as land and/or buildings held by the Group to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in the supply of goods or services or for administrative purposes. The Group recognises any part of an owned (or leased under a finance lease) property that is leased to third parties as investment property, unless it represents an insignificant portion of the property.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, the Group elects to measure investment property at cost less accumulated depreciation and accumulated impairment losses, if any (i.e. applying the same accounting policies (including useful lives) as for property, plant and equipment). The fair values, which reflect the market conditions as at the balance sheet date, are disclosed in note 14.

2.10. Intangible assets

2.10.1. Software and software licences

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

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

2.10.2. Software under development

Costs that are incurred and that can be specifically attributed to the development phase of management information systems for internal use are capitalised and amortised over their useful life, once the asset becomes available for use.

2.10.3. Other intangible assets

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

- existing customer contracts: five years
- existing customer relationships: 10 years
- tools and technology: seven years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

2.10.4. Goodwill

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

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

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

2.11. Inventories

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

continued

2 Summary of significant accounting policies continued

2.12. Financial assets

Financial assets are recognised at their fair value which initially equates to the consideration given plus directly attributable transaction costs associated with the investment.

The subsequent measurement of financial assets depends on their classification as described in each category below:

2.12.1. Trade and other receivables

Trade receivables, which generally have 30 to 90-day credit terms, are recognised and carried at their original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as being remote.

2.12.2. Current asset investments

Current asset investments comprise deposits held for a term of greater than three months from the date of deposit and which are not available to the Group on demand. Subsequent to initial measurement, current asset investments are measured at fair value.

2.12.3. Cash and cash equivalents

Cash and short-term deposits in the Consolidated Balance Sheet comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.13. Financial liabilities

Financial liabilities are initially recognised at their fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification as described in each category below:

2.13.1. Provisions (excluding Restructuring provision)

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

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

Customer contract provisions

In respect of contracts where revenue is recognised on a percentage of completion basis, and where the performance of one of these limited number of contracts results in a margin that was less than anticipated at the time that it was agreed, then the future financial performance of that contract will be reviewed in detail. If, after further financial analysis, the full financial consequence of the contract can be reliably estimated, and it is determined that the contract is potentially loss-making, then the best estimate of the losses expected to be incurred until the end of the contract will be provided for.

The Group has elected to apply IAS 11 in its assessment of whether contracts are considered onerous and in subsequently estimating the provision as IAS 18 considers the requirements of IAS 11 are generally applicable to the recognition of revenue and the associated expenses for a transaction involving the rendering of services.

A contract that is accounted for under IAS 11 that is considered potentially onerous is assessed according to the recognition of expected losses in IAS 11 ahead of the onerous contract guidance in IAS 37 and considers total estimated costs (i.e. directly attributable variable costs and fixed allocated costs) as included in the assessment of whether the contract is onerous or not and in the measurement of the provision.

2.13.2. Restructuring provisions

The Group recognises a 'restructuring' provision when there is a programme planned and controlled by Management that changes materially the scope of the business or the manner in which it is conducted.

Further to the Group's general provision recognition policy, a restructuring provision is only considered when the Group has a detailed formal plan for the restructuring identifying, as a minimum; the business or part of the business concerned; the principal locations affected; the location, function and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken and when the plan will be implemented.

The Group will only recognise a specific restructuring provision once a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

2.13.3. Pensions and other post-employment benefits

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

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

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

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

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

Management continues to account for this obligation according to IAS 19 (revised). Due to the materiality of the obligation, Management considers no further disclosures are relevant at this time.

2.14. Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

2.15. Derivative financial instruments and hedge accounting

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

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are addressed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting years for which they are designated.

Forward contracts are initially recognised at fair value on the date that the contract is entered into and are subsequently remeasured at fair value at each reporting date. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Forward contracts are recorded as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Consolidated Income Statement within administrative expenses. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised within Consolidated Other Comprehensive Income remains within Consolidated Other Comprehensive Income until after the forecast transaction or firm commitment affects the Consolidated Income Statement.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

continued

2 Summary of significant accounting policies continued

2.16. Taxation

2.16.1. Current tax

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

2.16.2. Deferred tax

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

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

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

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

2.17. Share-based payment transactions

Employees (including Executive Directors) of the Group can receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model, further details of which are given in note 29. In valuing equity-settled transactions, no account is taken of any performance conditions as none of the conditions set are market-related.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest. The Consolidated Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. As the schemes do not include any market-related performance conditions, no expense is recognised for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share [see note 11].

The Group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity [see note 28].

2.18. Fair value measurement

The Group measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 26.

2.19. Own shares held

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

3 Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements requires Management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

During the year, Management set aside time to consider the critical accounting estimates and judgements for the Group. This process included reviewing the last reporting period's disclosures, the key judgements required on the implementation of forthcoming standards such as IFRS 15 and 16 and the current period's challenging accounting issues. Where Management deemed an area of accounting to be no longer a critical estimate or judgement, an explanation for this decision is found in the relevant accounting notes to the Consolidated Financial Statements.

3.1. Critical estimates

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1.1. Services revenue recognition

The Group accounted for certain Services contracts using the percentage of completion method, recognising revenue by reference to the stage of completion of the contract which is determined by actual costs incurred as a proportion of total forecast contract costs. This method places considerable importance on accurate estimates of the extent of progress towards completion of the contract and may involve estimates on the scope of services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical risks, and other assumptions. Under the percentage of completion method, the changes in these estimates and assumptions may lead to an increase or decrease in revenue recognised at the balance sheet date with the in-year revenue recognition appropriately adjusted as required. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

The key judgements are the extent to which revenue should be recognised and also, where total contract costs are not covered by total contract revenue, the extent to which an adjustment is required.

Additionally, where contracts are renegotiated mid-life, Management will consider when to make a revenue adjustment.

During the year, Management held a number of 'difficult' contracts under review that were considered to be performing below expectation. The number of contracts under review fluctuated during the year between seven and 12 (2016: eight and 12). Each contract was subject to a detailed review to consider the reasons behind the lower than anticipated performance and the potential accounting impacts related effect on revenue recognition estimates.

For a limited number of these 'difficult' contracts, where there was no immediate operational or commercial remedy for the performance, a range of possible outcomes for the estimate of the total contract costs and total contract revenues was considered to determine the best estimate of stage of completion.

The gross revenue recognised in the year from these contracts under review was approximately £53.6 million (2016: £10.4 million). The range of potential scenarios considered by management in respect of these specific contracts resulted in a reduction in revenue, and margins, recognised in 2017 of £4.0 million (2016: £4.1 million), in the year. Also, based on Management's best estimate, the total cost to complete on these contracts were £48.0 million (2016: £26.6 million).

3.2. Critical judgements

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

3.2.1. Exceptional items

Exceptional items remain a core focus of Management with the recent Alternative Performance Measure regulations providing further guidance in this area.

Management is required to exercise its judgement in the classification of certain items as exceptional and outside of the Group's adjusted¹ results. The overall goal of Management is to present the Group's underlying performance without distortion from one-off or non-trading events regardless of whether they be favourable or unfavourable to the underlying result.

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

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

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

3.3. Change in critical estimates and critical judgements

During the year, Management reassessed the critical estimates and critical judgements and resolved that no change was needed from last year in critical estimates and critical judgements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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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 below 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 adjusted¹ operating profit or loss which is measured differently from statutory operating profit or loss in the Consolidated Financial Statements as defined above.

Restatement

The revenue for work performed by other Computacenter entities on behalf of several key French contracts has been reclassified to the French Segment, consistent with the way information is reported and monitored internally. Historically these revenues have been recorded in the Segment where the associated underlying subsidiary recognises the revenues in their statutory accounts. For Segmental analysis, all of our offshore internal service provider entities (e.g. Computacenter USA) are allocated to the UK Segment apart from Computacenter Switzerland which is within the German Segment. As the work performed in certain offshore subsidiaries has grown within the UK Segment, Management decided to reallocate these revenues inter-Segmentally to reflect better where the portfolio co-ordination and operational responsibility lies and where the benefits should accrue. We have therefore restated the French and UK Managed Services revenue for 2016, to assist with understanding the growth in each business and to ensure period-on-period comparisons reflect true underlying growth. This has no impact on Group revenue or on Segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects. All discussion within this Annual Report and Accounts on Segmental Managed Services revenues for the UK and France reflect this reclassification and resultant prior period restatement.

Segmental performance for the years ended 31 December 2017 and 2016 was as follows:

Year ended 31 December 2017

	UK £'000	Germany £'000	France £'000	Belgium £'000	Total £'000
Revenue					
Supply Chain revenue	990,578	1,200,871	405,139	39,606	2,636,194
Services revenue					
Professional Services revenue	147,549	151,306	18,120	2,181	319,156
Managed Services revenue	358,237	372,823	86,684	20,277	838,021
Total Services revenue	505,786	524,129	104,804	22,458	1,157,177
Total revenue	1,496,364	1,725,000	509,943	62,064	3,793,371
Results					
Adjusted ¹ gross profit	214,454	219,149	53,539	8,928	496,070
Adjusted ¹ administrative expenses	(176,178)	(158,855)	(47,931)	(7,619)	(390,583)
Adjusted ¹ operating profit	38,276	60,294	5,608	1,309	105,487
Adjusted ¹ net interest	522	424	(193)	(11)	742
Adjusted ¹ profit before tax	38,798	60,718	5,415	1,298	106,229
Exceptional items:					
– onerous contracts provision for future losses	–	1,371	–	–	1,371
– exceptional losses on redundancy and other restructuring costs	–	–	–	–	–
– gain on reversal of fair value adjustments	–	–	–	–	–
Total exceptional items	–	1,371	–	–	1,371
Exceptional loss on disposal of a subsidiary	–	–	–	–	–
Exceptional gain on disposal of an investment property	4,320	–	–	–	4,320
Amortisation of acquired intangibles	–	(133)	–	(92)	(225)
Statutory profit before tax	43,118	61,956	5,415	1,206	111,695

The reconciliation for adjusted¹ operating profit to statutory operating profit as disclosed in the Consolidated Income Statement is as follows:

	UK £'000	Germany £'000	France £'000	Belgium £'000	Total £'000
Adjusted¹ operating profit	38,276	60,294	5,608	1,309	105,487
Add-back interest on CSF	2	157	–	–	159
Amortisation of acquired intangibles	–	[133]	–	[92]	[225]
Exceptional items	–	1,371	–	–	1,371
Statutory operating profit	38,278	61,689	5,608	1,217	106,792
Other segment information					
Property, plant and equipment	42,034	27,920	6,262	1,688	77,904
Investment property	–	–	–	–	–
Intangible assets	56,352	21,953	28	2,002	80,335
Capital expenditure:					
Property, plant and equipment	10,520	18,910	949	60	30,439
Software	8,494	1,110	9	5	9,618
Depreciation of property, plant and equipment	7,866	6,625	1,736	157	16,384
Depreciation of investment property	91	–	–	–	91
Amortisation of software	11,104	1,110	21	2	12,237
Share-based payments	5,068	1,211	[79]	–	6,200

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4 Segment information continued

Year ended 31 December 2016

	Restated UK £'000	Germany £'000	Restated France £'000	Belgium £'000	Total £'000
Revenue					
Supply Chain revenue	899,822	934,214	335,612	37,907	2,207,555
Services revenue					
Professional Services revenue	118,636	138,218	15,470	1,868	274,192
Managed Services revenue	373,292	319,744	53,627	16,987	763,650
Reclassification of Managed Services revenue	[15,820]	–	15,820	–	–
Managed Services revenue	357,472	319,744	69,447	16,987	763,650
Total Services revenue	476,108	457,962	84,917	18,855	1,037,842
Total revenue	1,375,930	1,392,176	420,529	56,762	3,245,397
Results					
Adjusted ¹ gross profit	202,556	175,273	42,520	7,479	427,828
Adjusted ¹ administrative expenses	[155,812]	[139,683]	[39,649]	[6,524]	[341,668]
Adjusted ¹ operating profit	46,744	35,590	2,871	955	86,160
Adjusted ¹ net interest	717	[212]	[208]	[28]	269
Adjusted ¹ profit before tax	47,461	35,378	2,663	927	86,429
Exceptional items:					
– onerous contracts provision for future losses	–	–	–	–	–
– exceptional losses on redundancy and other restructuring costs	–	–	[1,169]	–	[1,169]
– gain on reversal of fair value adjustments	–	3,045	–	–	3,045
Total exceptional items	–	3,045	[1,169]	–	1,876
Exceptional loss on disposal of a subsidiary	[522]	–	–	–	[522]
Amortisation of acquired intangibles	–	[627]	–	[83]	[710]
Statutory profit before tax	46,939	37,796	1,494	844	87,073

The reconciliation for adjusted¹ operating profit to statutory operating profit as disclosed in the Consolidated Income Statement is as follows:

	UK £'000	Germany £'000	France £'000	Belgium £'000	Total £'000
Adjusted¹ operating profit	46,744	35,590	2,871	955	86,160
Add-back interest on CSF	9	210	–	–	219
Amortisation of acquired intangibles	–	[627]	–	[83]	[710]
Exceptional items	–	3,045	[1,169]	–	1,876
Statutory operating profit	46,753	38,218	1,702	872	87,545
Other segment information					
Property, plant and equipment	39,636	14,825	6,830	1,729	63,020
Investment property	10,033	–	–	–	10,033
Intangible assets	54,817	19,416	39	2,013	76,285
Capital expenditure:					
Property, plant and equipment	12,076	5,026	501	38	17,641
Software	3,179	1,754	9	1	4,943
Depreciation of property, plant and equipment					
Depreciation of investment property	227	–	–	–	227
Amortisation of software	11,536	846	29	2	12,413
Share-based payments					
	2,702	607	36	–	3,345

Information about major customers

Included in revenues arising from the UK Segment are revenues of approximately £288 million (2016: £271 million) which arose from sales to the Group's largest customer. For the purpose 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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5 Group operating profit

This is stated after charging/[crediting]:

	2017 £'000	2016 £'000
Auditor's remuneration:		
– Audit of the Financial Statements	44	44
– Audit of subsidiaries	559	493
Total audit fees	603	537
Audit-related assurance services	55	56
Taxation compliance services	19	29
Other assurance services	10	9
Taxation advisory services	13	144
Other non-audit services	200	–
Total non-audit services	297	238
Total fees	900	775

As explained in the Audit Committee Report on page 73, other non-audit services of £0.2 million during the year, relates to the financial due diligence conducted by KPMG LLP in connection with a potential acquisition.

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment	16,384	15,631
(Gain)/loss on disposal of property, plant and equipment	(535)	168
Depreciation of investment property	91	227
Gain on disposal of an investment property	(4,320)	–
Amortisation of software	12,020	12,413
Loss on disposal of software	688	25
Amortisation of other intangible assets	217	784
Net foreign currency differences	1,565	847
Costs of inventories recognised as an expense	2,362,861	1,973,490
Operating lease payments	34,469	26,942

6 Exceptional items

	2017 £'000	2016 £'000
Operating profit		
Redundancy and other restructuring costs	–	[1,169]
Onerous contracts	1,371	–
Gain on reversal of fair value adjustments	–	3,045
	1,371	1,876
Gain on disposal of an investment property	4,320	–
Loss on disposal of a subsidiary	–	[522]
Exceptional items before taxation	5,691	1,354
Income tax		
Tax on onerous contracts included in operating profit	[351]	–
Tax on gain on reversal of fair value adjustments	–	[192]
Exceptional items after taxation	5,340	1,162

2017: Included within the current year are the following exceptional items:

- The remaining provisions for the last two onerous contracts in Germany were released, for an exceptional gain of £1.4 million. These provisions were originally booked in 2013 and the contracts have now returned to profitability, so the provisions are no longer required. As these provisions were booked as exceptional items, this release has also been classified as such; and
- The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was associated with a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the £4.3 million gain on disposal, net of £0.2 million disposal costs, has been classified as exceptional.

2016: Included within the prior year are the following exceptional items:

- As outlined in our 2016 Interim Report, a Line of Business restructure was agreed with the business in France. This initiative to reduce the underutilised resources within our Professional Services arm completed in the second half of 2016, for a cost of £1.0 million. This restructure has seen France exit the direct provision of Group Field Maintenance Services. This Line of Business had materially decreased over time, leading to significant resourcing overcapacity. Any residual customer requirement will be sub-contracted to an existing third party provider. Additionally, as also detailed in the 2016 Interim Report, further provisioning to the existing 2014 Social Plan in France of £0.1 million was also required during the period;
- The most significant item within exceptional items during 2016 was the £3.0 million release of historical fair value adjustments made on the 2009 acquisition of becom Informationssysteme GmbH (becom). This followed the final payment of the contingent consideration to the vendor during 2016. Due to the materiality and nature of the item, Management decided to classify this one-off gain as exceptional; and
- During the third quarter, a Group subsidiary domiciled in Luxembourg, Computacenter PSF SA, was disposed of for a net loss of £0.5 million. As the principal item in the year to 31 December 2015 was the gain on the disposal of a Group subsidiary, R.D. Trading Limited (RDC), of £42.2 million, the current year loss on disposal activity has also been classified as exceptional.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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7 Staff costs

The average monthly number of employees (including Executive Directors) during the year was made up as follows:

	2017 No.	2016 No.
UK	6,533	6,260
Germany	5,754	5,360
France	1,557	1,559
Belgium	182	194
	14,026	13,373

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	652,988	559,990
Social security costs	102,121	82,758
Share-based payments	6,200	3,345
Pension costs	23,186	22,798
	784,495	668,891

Share-based payments arise from transactions accounted for as equity-settled share-based payment transactions.

8 Finance income

	2017 £'000	2016 £'000
Bank interest receivable	854	895
Other interest received	667	734
	1,521	1,629

9 Finance costs

	2017 £'000	2016 £'000
Bank loans and overdrafts	355	373
Finance charges payable on CSF	159	219
Other interest	424	987
	938	1,579

10 Income tax

a) Tax on profit from ordinary activities

	2017 £'000	2016 £'000
Tax charged in the consolidated income statement		
Current income tax		
UK corporation tax	11,995	12,992
Foreign tax		
– operating results before exceptional items	14,661	7,702
– exceptional items	351	–
Total foreign tax	15,012	7,702
Adjustments in respect of prior years	–	(170)
Total current income tax	27,007	20,524
Deferred tax		
Operating results before exceptional items:		
– origination and reversal of temporary differences	3,374	2,944
– adjustments in respect of prior years	–	(360)
Exceptional items	–	192
Total deferred tax	3,374	2,776
Tax charge in the consolidated income statement	30,381	23,300

b) Reconciliation of the total tax charge

	2017 £'000	2016 £'000
Accounting profit before income tax	111,695	87,073
At the UK standard rate of corporation tax of 19.25 per cent (2016: 20 per cent)	21,501	17,415
Expenses not deductible for tax purposes	675	962
Non-deductible element of share-based payment charge	1,297	665
Adjustments in respect of current income tax of previous years	(58)	(519)
Effect of different tax rates of subsidiaries operating in other jurisdictions	7,050	3,106
Other differences	(683)	71
Effect of changes in tax rate on deferred tax	–	170
Overseas tax not based on earnings	1,526	1,152
Tax effect of income not taxable in determining taxable profit	(832)	–
Deferred tax not recognised on current year losses	(95)	278
At effective income tax rate of 27.2 per cent (2016: 26.8 per cent)	30,381	23,300

c) Tax losses

Deferred tax assets of £2.7 million (2016: £5.9 million) have been recognised in respect of losses carried forward.

In addition, at 31 December 2017, there were unused tax losses across the Group of £152.0 million (2016: £150.8 million) for which no deferred tax asset has been recognised. Of these losses, £40.9 million (2016: £40.4 million) arise in Germany and £111.1 million (2016: £110.4 million) arise in France. A significant proportion of the losses arising in Germany 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

continued

10 Income tax continued

d) Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated Balance Sheet		Consolidated Income Statement and other comprehensive income	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Deferred income tax liabilities				
Accelerated capital allowances	–	–	–	(1,197)
Revaluations of foreign exchange contracts to fair value	1,293	559	194	189
Amortisation of intangibles	506	554	(49)	(117)
Gross deferred income tax liabilities	1,799	1,113		
Deferred income tax assets				
Relief on share option gains	2,868	1,797	(1,072)	793
Other temporary differences	4,192	3,244	1,164	396
Revaluations of foreign exchange contracts to fair value	659	308	(157)	132
Losses available for offset against future taxable income	2,666	5,960	3,294	2,580
Gross deferred income tax assets	10,385	11,309		
Deferred income tax charge			3,374	2,776
Net deferred income tax assets	8,586	10,196		
Disclosed on the Consolidated Balance Sheet				
Deferred income tax assets	9,063	10,537		
Deferred income tax liabilities	(477)	(341)		
Net deferred income tax assets	8,586	10,196		

At 31 December 2017, there was no recognised or unrecognised deferred income tax liability (2016: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group expects that future remittances of earnings from its overseas subsidiaries will be covered by the UK dividend exemption.

e) Impact of rate change

The main rate of UK Corporation tax is 19 per cent from 1 April 2017 and will be reduced to 17 per cent from 1 April 2020, as enacted in the Finance Act 2015. The deferred tax in these Consolidated Financial Statements reflects this.

11 Earnings per share

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

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

	2017 £'000	2016 £'000
Profit attributable to equity holders of the Parent	81,314	63,773
	2017 £'000	2016 £'000
Basic weighted average number of shares (excluding own shares held)	120,766	120,540
Effect of dilution:		
Share options	1,471	1,344
Diluted weighted average number of shares	122,237	121,884
	2017 pence	2016 pence
Basic earnings per share	67.3	52.9
Diluted earnings per share	66.5	52.3

12 Dividends paid and proposed

	2017 £'000	2016 £'000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Second interim dividend for 2016: nil pence (2015: 15.0 pence)	–	18,106
Final dividend for 2016: 15.0 pence (2015: nil pence)	18,151	–
Interim dividend for 2017: 7.4 pence (2016: 7.2 pence)	8,961	8,696
	27,112	26,802
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2017: 18.7 pence (2016: 15.0 pence)	21,344	18,399

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For the year ended 31 December 2017

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13 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
Cost				
At 1 January 2016	66,054	20,525	131,440	218,019
Relating to disposal of a subsidiary	–	[5]	[160]	[165]
Additions	351	4,592	12,698	17,641
Disposals	–	[5]	[19,824]	[19,829]
Foreign currency adjustment	394	2,616	11,404	14,414
At 31 December 2016	66,799	27,723	135,558	230,080
Relating to acquisition of subsidiaries [note 17]	–	19	282	301
Additions	10,449	1,695	18,295	30,439
Disposals	–	[532]	[22,829]	[23,361]
Foreign currency adjustment	236	564	1,889	2,689
At 31 December 2017	77,484	29,469	133,195	240,148
Accumulated depreciation and impairment				
At 1 January 2016	38,335	13,156	109,396	160,887
Relating to disposal of a subsidiary	–	[5]	[129]	[134]
Provided during the year	537	2,826	12,268	15,631
Disposals	–	[5]	[19,520]	[19,525]
Foreign currency adjustment	47	2,205	7,949	10,201
At 31 December 2016	38,919	18,177	109,964	167,060
Relating to acquisition of subsidiaries [note 17]	–	–	20	20
Provided during the year	1,507	1,980	12,897	16,384
Disposals	–	[532]	[22,436]	[22,968]
Foreign currency adjustment	16	538	1,194	1,748
At 31 December 2017	40,442	20,163	101,639	162,244
Net book value				
At 31 December 2017	37,042	9,306	31,556	77,904
At 31 December 2016	27,880	9,546	25,594	63,020
At 1 January 2016	27,719	7,369	22,044	57,132

Included in the figures above are the following amounts relating to leased assets which are used to satisfy specific customer contracts:

	Fixtures, fittings, equipment and vehicles	
	2017 £'000	2016 £'000
Cost		
At 1 January	30,234	37,893
Additions	3,127	1,529
Disposals	[15,430]	[12,475]
Foreign currency adjustment	186	3,287
At 31 December	18,117	30,234
Accumulated depreciation and impairment		
At 1 January	26,608	34,076
Provided during the year	2,250	2,305
Disposals	[15,430]	[12,475]
Foreign currency adjustment	62	2,702
At 31 December	13,490	26,608
Net book value	4,627	3,626

14 Investment property

	2017 £'000	2016 £'000
Cost		
At 1 January	11,167	11,167
Disposals	(11,167)	–
At 31 December	–	11,167
Accumulated depreciation		
At 1 January	1,134	907
Provided during the year	91	227
Disposals	(1,225)	–
At 31 December	–	1,134
Net book value	–	10,033

On 26 May 2017, the Group disposed its only investment property for £14.5 million. The property was in Braintree, Essex, and was owned by Digica Group Finance Limited (a fully-owned subsidiary of the Group). A gain of £4.3 million was recorded on disposal, net of £0.2 million of disposal costs.

15 Intangible assets

	Goodwill £'000	Software £'000	Acquired intangible assets £'000	Total £'000
Cost				
At 1 January 2016	54,692	91,517	18,122	164,331
Relating to disposal of a subsidiary	–	(123)	–	(123)
Additions	–	4,943	–	4,943
Disposals	–	(2,248)	–	(2,248)
Foreign currency adjustment	4,030	1,360	1,981	7,371
At 31 December 2016	58,722	95,449	20,103	174,274
Relating to acquisition of subsidiaries (note 17)	6,727	123	–	6,850
Additions	–	9,618	–	9,618
Disposals	–	(3,243)	–	(3,243)
Foreign currency adjustment	796	329	37	1,162
At 31 December 2017	66,245	102,276	20,140	188,661
Amortisation and Impairment				
At 1 January 2016	8,954	57,298	16,546	82,798
Relating to disposal of a subsidiary	–	(111)	–	(111)
Provided during the year	–	12,413	784	13,197
Disposals	–	(2,223)	–	(2,223)
Foreign currency adjustment	1,491	1,069	1,768	4,328
At 31 December 2016	10,445	68,446	19,098	97,989
Provided during the year	–	12,020	217	12,237
Disposals	–	(2,551)	–	(2,551)
Foreign currency adjustment	371	241	39	651
At 31 December 2017	10,816	78,156	19,354	108,326
Net book value				
At 31 December 2017	55,429	24,120	786	80,335
At 31 December 2016	48,277	27,003	1,005	76,285
At 1 January 2016	45,738	34,219	1,576	81,533

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16 Impairment testing of goodwill, other intangible assets and other non-current assets

Goodwill acquired through business combinations have been allocated to the following CGUs:

- Computacenter (UK) Limited
- Computacenter Germany
- Computacenter France
- Computacenter AG
- NEWIS SA and Informatic Services IS SA (together 'Belgium IS').
- cITius AG
- TeamUltra Limited

These represent the lowest level within the Group at which goodwill is monitored for internal Management purposes. Certain other corporate assets are unable to be allocated against specific CGUs. These assets are tested across an aggregation of CGUs that utilise the asset.

Movements in goodwill

	Computacenter (UK) Limited £'000	TeamUltra Limited £'000	Computacenter Germany £'000	Computacenter France £'000	Computacenter AG £'000	cITius AG £'000	Belgium IS £'000	Total £'000
1 January 2016	30,429	–	13,233	–	910	–	1,166	45,738
Foreign currency adjustment	–	–	2,192	–	158	–	189	2,539
31 December 2016	30,429	–	15,425	–	1,068	–	1,355	48,277
Relating to acquisition of subsidiaries	–	4,620	–	–	–	2,107	–	6,727
Foreign currency adjustment	–	–	481	–	(52)	(115)	111	425
31 December 2017	30,429	4,620	15,906	–	1,016	1,992	1,466	55,429
Market growth rate	2.5%	2.5%	2.5%	1.5%	1.5%	1.5%	1.5%	
Discount rate	11.0%	11.0%	11.0%	12.0%	12.0%	12.0%	15.0%	

Key assumptions used in value-in-use calculations

The recoverable amounts of all CGUs have been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by Senior Management covering a three-year period and on long-term market growth rates of between 1.5 and 2.5 per cent (2016: between 1.5 and 2.5 per cent) thereafter.

Key assumptions used in the value-in-use calculation for all CGUs for 31 December 2017 and 31 December 2016 are:

- budgeted revenue, which is based on long-run market growth forecasts;
- budgeted gross margins, which are based on average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends; and
- the discount rate applied to cash flow projections ranges from 11.0 to 15.0 per cent (2016: 11.0 to 15.0 per cent) which represents the Group's pre-tax discount rate adjusted for the risk profiles of the individual CGUs.

Each CGU generates value substantially in excess of the carrying value of goodwill attributed to each of them. Management therefore believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Other intangible assets

Other intangible assets consist of customer contracts, customer relationships and tools and technology. The expected useful lives are shown in note 2.

Other non-current assets

When there is an indication of impairment within a CGU, the carrying value of the non-current assets are compared to their recoverable amount which is the higher of the assets' fair value less costs of disposal or the value-in-use of the CGU calculated as described above.

17 Investments

a) Investment in associate

The following table illustrates summarised information of the investment in associates:

	2017 £'000	2016 £'000
Cost		
At 1 January	604	589
Exchange rate movement	1	15
At 31 December	605	604
Impairment		
At 1 January and 31 December	(549)	(549)
Carrying value	56	55

Gonicus GmbH

The Group has a 20 per cent (2016: 20 per cent) interest in Gonicus GmbH, whose principal activity is the provision of Open Source Software. Gonicus is a private entity, incorporated in Germany, that is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment. The reporting date of Gonicus is 31 December.

ICS Solutions Limited

The Group has a 25 per cent (2016: 25 per cent) interest in ICS Solutions Limited (ICS) whose principal activity is the delivering of both on-premise and cloud based services and solutions across the Microsoft technology stack. ICS is a private entity, incorporated in the United Kingdom, that is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment. The reporting date of ICS is 30 June.

b) Investment in subsidiaries

The Group's subsidiary undertakings are as follows:

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held	
			2017	2016
Computacenter (UK) Limited	England ⁱ	IT infrastructure services	100%	100%
Computacenter France SAS	France ⁱⁱⁱ	IT infrastructure services	100%	100%
Logival (SARL)	France ⁱⁱⁱ	IT infrastructure services	100%	100%
Computacenter Holding GmbH	Germany ^{vi}	IT infrastructure services	100%	100%
Computacenter Aktiengesellschaft	Germany ^v	IT infrastructure services	100%	100%
Computacenter Management GmbH	Germany ^v	IT infrastructure services	100%	100%
Computacenter Managed Services GmbH	Germany ^v	IT infrastructure services	100%	100%
Computacenter NV/SA	Belgium ⁱⁱ	IT infrastructure services	100%	100%
Computacenter NV	Netherlands	IT infrastructure services	100%	100%
Computacenter (U.S.) Inc.	USA ^{iv}	IT infrastructure services	100%	100% ¹
TeamUltra Limited	England ⁱ	IT infrastructure services	100%	–
Computacenter Services (Iberia) SLU	Spain ^{xii}	International call centre services	100%	100% ¹
Digica Group Finance Limited	England ⁱ	Investment property	100%	100% ¹
Digica Group Holdings Limited	England ⁱ	IT infrastructure and application services	100%	100%
Computacenter Services and Solutions (Pty) Limited	South Africa ^{xi}	IT infrastructure services	100%	100% ¹
cITius AG	Switzerland ^{xvii}	IT infrastructure services	100%	–
Computacenter AG	Switzerland ^{xiii}	IT infrastructure services	100%	100%
Informatic Services IS SA	Belgium ⁱⁱ	IT infrastructure services	100%	100% ³
Computacenter Services (Malaysia) Sdn Bhd	Malaysia ^{xviii}	International call centre services	100%	100% ¹
Computacenter Services Kft	Hungary ^{vii}	International call centre Services	100%	100% ¹
Computacenter India Private Limited	India ^{xv}	International call centre services	100%	100% ¹
Computacenter Information Technology (Shanghai) Company Limited	China ^{xvi}	International call centre services	100%	100% ¹
Computacenter Germany AG & Co oHG	Germany ^{vi}	IT infrastructure services	100%	100% ²
Computacenter AG & Co oHG	Germany ^{iv}	IT infrastructure services	100%	100% ²

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17 Investments continued

b) Investment in subsidiaries continued

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held	
			2017	2016
E'ZWO Computervertriebs	Germany ^{vi}	IT infrastructure services	99.09%	99.09% ²
Alfatron GmbH Elektronik – Vertrieb	Germany ^{vi}	IT infrastructure services	100%	100% ²
C'NARIO Informationsprodukte Vertriebs-GmbH	Germany ^{vi}	IT infrastructure services	100%	100% ²
Computacenter México S.A. de C.V.	Mexico ^{ix}	International call centre services	100%	100% ¹
Computacenter Trustees Limited	England ⁱ	Employee share scheme trustees	100%	100% ¹
Computacenter Quest Trustees Limited	England ⁱ	Employee share scheme trustees	100%	100% ¹
Allnet Limited	England ⁱ	Dormant company	100%	100% ¹
Amazon Computers Limited	England ⁱ	Dormant company	100%	100% ¹
Amazon Energy Limited	England ⁱ	Dormant company	100%	100% ¹
Amazon Systems Limited	England ⁱ	Dormant company	100%	100% ¹
CAD Systems Limited	England ⁱ	Dormant company	100%	100% ¹
Compufix Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter (FMS) Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter (Management Services) Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter (Mid-Market) Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Consumables Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Distribution Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Leasing Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Maintenance Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Overseas Holdings Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Services Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Software Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Solutions Limited	England ⁱ	Dormant company	100%	100% ¹
Computacenter Training Limited	England ⁱ	Dormant company	100%	100% ¹
Computadata Limited	England ⁱ	Dormant company	100%	100% ¹
Computer Services Group Limited	England ⁱ	Dormant company	100%	100% ¹
Digica Group Limited	England ⁱ	Dormant company	100%	100% ¹
Digica Limited	England ⁱ	Dormant company	100%	100% ¹
Digica SMP Limited	England ⁱ	Dormant company	100%	100% ¹
Digica (FMS) Limited	England ⁱ	Dormant company	100%	100% ¹
ICG Services Limited	England ⁱ	Dormant company	100%	100% ¹
M Services Limited	England ⁱ	Dormant company	100%	100% ¹
Merchant Business Systems Limited	England ⁱ	Dormant company	100%	100% ¹
Merchant Systems Limited	England ⁱ	Dormant company	100%	100% ¹

1. Includes indirect holdings of 100 per cent via Computacenter (UK) Limited.

2. Includes indirect holdings of 100 per cent via Computacenter Holding GmbH excludes E'ZWO Computervertriebs which is 99.09 per cent.

3. Includes indirect holdings of 100 per cent via Computacenter NV/SA.

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Computacenter plc is the ultimate Parent entity of the Group.

clTius AG ('Citius')

On 1 January 2017, the Group acquired 100 per cent of the voting shares of clTius for an initial consideration of CHF 2.8 million and agreed to a maximum undiscounted contingent consideration of CHF 1.5 million, dependent upon the achievement of agreed performance criteria over the next two and a half years from the date of acquisition. The acquisition-related costs amounted to CHF 41,500 and are included in the Consolidated Income Statement. Due to the size of the balance, the acquisition cost is not treated as an exceptional item. clTius is based in Switzerland and is an IT service provider. The acquisition has been accounted for using the purchase method of accounting.

The book and fair values of the net assets at date of acquisition were as follows:

	Book value £'000	Fair value to Group £'000
Intangible assets		
Comprising:		
Software	123	123
Total intangible assets	123	123
Property, plant and equipment	302	302
Inventories	17	17
Trade and other receivables	297	297
Cash and short-term deposits	422	422
Trade and other payables	(183)	(183)
Net assets acquired	978	978
Goodwill arising on acquisition		2,107
		3,085
Discharged by:		
Cash paid on acquisition		2,212
Contingent consideration		873
		3,085
Cash and cash equivalents acquired		
Cash and short-term deposits		(422)
Cash outflow on acquisition		2,663

The book and provisional fair values of the net assets acquired that were disclosed in note 9 to the 2017 Interim Report are unchanged and now final. There were no differences between the fair values and the book values at acquisition.

Included in the £2.1 million of goodwill that arose on acquisition are certain intangible assets that cannot be individually separated and reliably measured under IFRS 3 Business Combination from the acquiree due to their nature. These items include the expected value of synergies, the knowledge and the skillset of the workforce.

From the date of acquisition to 31 December 2017, clTius contributed £4.2 million to the Group's revenue and £0.3 million to the Group's profit after tax.

The previous shareholders of clTius included the current Managing Director of Computacenter Switzerland, who owned 30 per cent at the time of the acquisition, as a result £0.1 million was paid in cash and a further £0.9 million will be payable in three and a half years contingent on the achievement of profit-based targets. The acquisition of clTius was made on terms equivalent to those that would have prevailed in an arm's-length transaction.

Contingent consideration

Based on the performance of the business in 2017 and the forecasted performance for the next two years, Management's assessment is that it is highly probable that the maximum contingent consideration will become payable and accordingly the discounted maximum contingent consideration has been included in the provisional fair value to the Group.

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

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17 Investments continued

TeamUltra Limited ('TeamUltra')

On 1 April 2017, the Group acquired 100 per cent of the voting shares of TeamUltra for an initial consideration of £2.6 million and agreed to a maximum undiscounted contingent consideration of £3.5 million, dependent upon the achievement of agreed performance criteria over the next three and a half years from the date of acquisition. The acquisition-related costs amounted to £30,000 and are included in the Consolidated Income Statement. Due to the size of the balance, the acquisition cost is not treated as an exceptional item. TeamUltra is based in the United Kingdom and is an IT service provider. The acquisition has been accounted for using the purchase method of accounting.

The book and provisional fair values of the net assets at date of acquisition were as follows:

	Book value £'000	Provisional fair value to Group £'000
Property, plant and equipment	23	23
Trade and other receivables	2,767	1,993
Cash and short-term deposits	370	370
Trade and other payables	(2,982)	(1,923)
Net assets acquired	178	463
Goodwill arising on acquisition		4,620
		5,083
Discharged by:		
Cash paid on acquisition		2,575
Contingent consideration		2,508
		5,083
Cash and cash equivalents acquired		
Cash and short-term deposits		(370)
Cash outflow on acquisition		4,713

Management has updated the provisional fair values of net assets at acquisition since these were first reported in note 9 to the 2017 Interim Report. There are now some immaterial differences between the provisional fair values and the book values at acquisition due to alignment of TeamUltra's accounting policies to that of Group. The initial accounting for the acquisition of TeamUltra has only been provisionally determined at the end of the year. At the date of finalisation of these Consolidated Financial Statements, the necessary market valuations and other calculations had not been finalised and they have therefore only been provisionally determined based on the Management's best estimates.

Included in the £4.6 million of goodwill that arose on acquisition are certain intangible assets that cannot be individually separated and reliably measured under IFRS 3 Business Combination from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

From the date of acquisition to 31 December 2017, TeamUltra contributed £4.9 million to the Group's revenue and £0.2 million to the Group's profit after tax.

Contingent consideration

Based on the performance of the business in 2017 and the forecasted performance for the next two and three-quarter years, Management's assessment is that it is highly probable that the maximum contingent consideration will become payable and accordingly the discounted maximum contingent consideration has been included in the provisional fair value to the Group.

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

If the acquisition of TeamUltra had been completed on the first day of the financial year, the Group's revenue for the period would have been £3,795 million and the Group's profit after tax would have been £81 million.

18 Inventories

	2017 £'000	2016 £'000
Inventories for re-sale	69,289	44,015

19 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	808,037	722,848
Other receivables	27,409	17,523
	835,446	740,371

For terms and conditions relating to related party receivables, refer to note 33.

Trade receivables are non-interest bearing and are generally on 30 to 90-day credit terms. Note 26 sets out the Group's strategy towards credit risk.

The movements in the provision for doubtful debts were as follows:

	2017 £'000	2016 £'000
At 1 January	12,315	13,130
Charge for the year	10,959	11,019
Utilised	(6,891)	(5,139)
Unused amounts reversed	(3,639)	(5,052)
Foreign currency adjustment	(264)	(1,643)
At 31 December	12,480	12,315

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired				
			<30 days £'000	30-60 days £'000	60-90 days £'000	90-120 days £'000	>120 days £'000
2017	808,037	695,018	67,876	29,062	4,213	4,051	7,817
2016	722,848	632,841	65,114	12,878	5,307	3,742	2,966

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20 Cash and short-term deposits

	2017 £'000	2016 £'000
Cash at bank and in hand	206,605	118,676

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £206,605,000 (2016: £118,676,000).

Due to strong cash generation over the past three years, the Group is now in a position where it can finance its requirements from its cash balance. The Group does, however, retain overdraft facilities where required. The uncommitted overdraft facilities available to the Group are £10.0 million at 31 December 2017 (2016: £12.8 million). During 2013 the Group entered into a specific committed facility of £40.0 million for a three-year term which was due to expire in May 2016. In February 2015 this facility was extended at the same value through to February 2018. At 31 December 2017 the facility was not utilised.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	2017 £'000	2016 £'000
Cash at bank and in hand	206,605	118,676
Bank overdrafts (note 22)	(6)	–
	206,599	118,676

21 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	587,963	482,639
Other payables	204,017	196,899
	791,980	679,538

For terms and conditions relating to related parties, refer to note 33.

Trade payables, except where we have taken short-term advantage of supplier extended-term interest-bearing credit facilities (2017: £nil, 2016: £13.3 million), are non-interest bearing and are normally settled on net monthly terms.

Other payables, which principally relate to other taxes, social security costs and accruals, are non-interest bearing and have an average term of three months.

22 Financial liabilities

	2017 £'000	2016 £'000
Current		
Bank loan	2,213	294
Bank overdrafts	6	–
Other loans – ‘CSF’	–	413
Current obligations under finance leases – ‘CSF’ (note 24)	1,536	1,645
	3,755	2,352
Non-current		
Bank loan	8,454	–
Non-current obligations under finance leases – ‘CSF’ (note 24)	3,209	1,832
	11,663	1,832

There are no material differences between the fair value of financial liabilities and their book value.

Bank loans

The Group has two principal bank loans:

- a loan of €8 million (2016: €nil). The loan was taken out on 21 December 2017. Repayments will commence in FY2018 and will continue for five years. The loan carries fixed interest rate at 1.65 per cent per annum. The loan is taken out to finance the fit-out of the new German headquarters building and logistics facility in Kerpen; and
- a loan of €4 million (2016: €nil). The loan was taken out on 27 December 2017. Repayments will commence in FY2018 and will continue for 10 years. The loan carries fixed interest rate at 1.95 per cent per annum. The loan is taken out to finance the acquisition of the new German headquarters building in Germany, which has been mortgaged to the lender.

Bank overdrafts

The bank overdrafts are unsecured and are subject to annual review.

Finance leases

The finance leases are only secured on the assets that they finance. These assets are in the main used to satisfy specific customer contracts. There are a small number of assets that are utilised internally.

Other loans

The other loans are unsecured borrowings to finance equipment sold to customers on specific contracts or for equipment for own use.

The finance lease and loan facilities are committed.

Facilities

At 31 December 2017, the Group had available £10.0 million of uncommitted overdraft facilities (2016: £12.8 million).

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23 Forward currency contracts

	2017 £'000	2016 £'000
Financial instruments at fair value through profit and loss		
Foreign exchange forward contracts	503	1,561
Financial instruments at fair value through other comprehensive income		
Cash flow hedges		
Foreign exchange forward contracts	6,510	6,293
	7,013	7,854

Cash flow hedges

Financial assets and liabilities at fair value through other comprehensive income

These amounts reflect the change in the fair value of foreign exchange forward contracts designated as cash flow hedges which are used to hedge expected contract costs in South African rand and Hungarian forint where sales on those contracts are in pound sterling, based on highly probable forecast transactions.

Financial assets and liabilities at fair value through profit or loss

The Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases. When these other contracts are not designated in hedge relationships they are measured at fair value through profit and loss within administrative expenses.

The foreign exchange forward contract balances vary with the level of expected foreign currency costs and changes in the foreign exchange forward rates.

Effectiveness of hedging

The terms of the foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions to which hedge accounting has been applied. No significant element of hedge ineffectiveness required recognition in the Consolidated Income Statement.

The cash flow hedges of the forecasted costs were assessed to be highly effective and a net unrealised gain of £6,510,000 (2016: £6,293,000) with a deferred tax liability of £1,107,000 (2016: £1,070,000) relating to the hedging instruments is included in the Consolidated Statement of Comprehensive Income. The amounts retained in the Consolidated Statement of Comprehensive Income of £6,510,000 (2016: £6,293,000) are expected to mature and affect the Consolidated Income Statement between 2017 and 2020.

24 Obligations under leases

a) Finance lease commitments

The Group has finance leases for various items of plant and machinery; these leases have no terms of renewal or purchase options and escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2017		2016	
	Minimum payments £'000	Present value of payments £'000	Minimum payments £'000	Present value of payments £'000
Within one year	1,712	1,536	1,771	1,645
After one year but not more than five years	3,399	3,209	1,971	1,832
	5,111	4,745	3,742	3,477
Future finance charges	(366)		(265)	
Present value of finance lease obligation	4,745		3,477	

b) Operating lease commitments where the Group is lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of small machinery. There are no restrictions placed upon the Group by entering into these leases. Future commitments payable under non-cancellable operating leases as at 31 December are as follows:

	2017 £'000	2016 £'000
Within one year	50,300	33,651
After one year but not more than five years	89,233	58,866
More than five years	7,970	10,609
	147,503	103,126

As part of the preparation to transition to IFRS 16, the Group performed a detailed exercise which identified additional lease commitments, which have been recognised in the table above.

c) Operating lease receivables where the Group is lessor

The Group entered into commercial leases with customers on certain items of machinery. These leases have remaining terms of between one and five years.

Future amounts receivable by the Group under the non-cancellable operating leases as at 31 December are as follows:

	2017 £'000	2016 £'000
Within one year	158	1,024
After one year but not more than five years	–	4,000
More than five years	–	3,090
	158	8,114

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25 Provisions

	Customer contract provisions £'000	Other provisions £'000	Property provisions £'000	Total provisions £'000
At 1 January 2017	1,015	5,722	2,070	8,807
Arising during the year	422	1,015	833	2,270
Utilised	–	(581)	–	(581)
Amounts unused reversed	(1,458)	–	–	(1,458)
Exchange adjustment	21	211	10	242
At 31 December 2017	–	6,367	2,913	9,280
Current 2017	–	463	1,218	1,681
Non-current 2017	–	5,904	1,695	7,599
	–	6,367	2,913	9,280
Current 2016	876	1,008	1,191	3,075
Non-current 2016	139	4,714	879	5,732
	1,015	5,722	2,070	8,807

Customer contract provisions

Customer contract provisions are based on the Directors' best estimate of the amount of future losses to completion on certain Managed Services contracts.

As one of the three contracts initially provided for ceased during the final quarter of 2015, only two remained provided for at 31 December 2016. These remaining two contracts have now returned to profitability therefore the unutilised provisions was reversed during the year.

Property provisions

Assumptions used to calculate the property provisions are based on 100 per cent of the market value of the rental charges plus any contractual dilapidation expenses on empty properties and the Directors' best estimates of the likely time before the relevant leases can be reassigned or sublet, which ranges between one and 15 years. The provisions in relation to the UK properties are discounted at a rate based upon the Bank of England base rate. Those in respect of the European operations are discounted at a rate based on Euribor.

Other provisions

The Group has a provision against the retirement benefit obligations in France under the Indemnités de Fin de Carrière (IFC) as described in note 2.13.3. Economic outflows under the obligation only occur if eligible employees reach the statutory retirement age whilst still in employment. The Group made £8,000 of payments during 2017 under this obligation (2016: £37,000).

In estimating the provision required, Management is required to make a number of assumptions. The key areas of estimation uncertainty are the discount rate applied to future cash flows, the turnover rate of employed personnel and rate of salary increases over the length of their projected employment. The level of unrealised actuarial gains or losses are sensitive to changes in the discount rate, which is affected by market conditions and therefore subject to variation. Management makes use of an independent actuarial valuation in reaching its conclusions.

The net liability recognised in the Consolidated Balance Sheet at 31 December 2017 in respect of the Group's French retirement benefit obligations under the IFC was £5.9 million (2016: £4.7 million). Key movements during the year include a charge to the Consolidated Income Statement of £0.4 million for the service cost and an actuarial loss taken through reserves of £0.5 million. The actuarial loss primarily relates to growth in remuneration during the year, higher than forecasted, of 1.5 per cent per annum in the actuarial valuation.

Also included within other provisions are the residual estimated costs associated with elements of the comprehensive transformation of the Group's French business that occurred in 2014 for £0.1 million and the Line of Business restructure that occurred during 2016 for £0.1 million. The remaining nature of the costs previously provided for primarily include retraining and resettlement costs for redundant employees are expected to be utilised in 2018.

The 2014 transformation provision was based inter alia on assumptions concerning the duration of individual settlement payment programmes and the uptake of retraining and resettlement packages. As disclosed last year, there remains some residual uncertainty relating to individual legal challenges to the implementation of the Social Plan. These uncertainties arise both from technical arguments around whether the Social Plan process followed was procedurally correct and had pre-existing approval from the multiple, potentially interested, regulatory authorities and also from a challenge as to whether Computacenter France was damaging to the overall Group competitiveness and economic performance. Having taken independent legal advice on this matter Management has applied judgements which it considers reasonable in establishing the required provision. Management retains a provision, within the amount disclosed above, for legal expenses of £0.3 million directly related to these individual legal challenges to termination settlements provided under the Social Plan.

26 Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the Group Finance Director's review on pages 52 to 53.

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. The balance of trade receivables relates to customers for whom there is no recent history of default.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date. The maximum exposure on trade receivables, as at the reporting date, is their carrying value.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, current asset investment and forward currency contracts, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents. The Group manages its counterparty credit risk by placing cash on deposit across a panel of reputable banking institutions, with no more than £50.0 million deposited at any one time except for UK Government-backed counterparties where the limit is £70.0 million.

Aside from the counterparty risk above, there are no significant concentrations of credit risk within the Group.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, cash and short-term deposits and finance leases and loans for certain customer contracts. The Group's bank borrowings, existing committed and uncommitted facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. If long-term borrowings were to be utilised in the future, the Group's policy would be to maintain these borrowings at fixed rates to limit the Group's exposure to interest rate fluctuations.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Change in basis points	Effect on profit before tax £'000
2017		
Sterling	+25	307
Euro	+25	135
US dollars	+25	36
2016		
Sterling	+25	117
Euro	+25	247
US dollars	+25	8

The impact of a reasonable possible decrease to the same range shown in the table would result in an opposite impact on the profit before tax of the same magnitude.

Fair values

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

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26 Financial instruments continued

Forward currency contracts

At 31 December 2016 the Group held foreign exchange contracts as hedges of an inter-company loan and future expected payments to suppliers. The exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are detailed below:

31 December 2017

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK	Euros	Sterling	€548,700	Apr 18 – Apr 20	1.059 – 1.079
	Sterling	US dollars	£5,067,217	Jan 18 – Mar 18	1.340 – 1.355
	Sterling	Euros	£45,391,545	Jan 18 – Apr 18	1.112 – 1.137
	Sterling	Swiss francs	£1,986,063	Jan 18 – Dec 18	1.304 – 1.335
	US dollars	Sterling	\$104,511,035	Jan 18 – Aug 21	1.303 – 1.432
	SA rand	Sterling	ZAR 440,841,213	Jan 18 – Oct 22	16.864 – 33.050
	Sterling	Swedish krona	£371,554	Jan 18	11.035
	Sterling	Singapore dollars	£146,361	Jan 18	1.811
	Sterling	Hungarian forint	£1,901,225	Jan 18 – Mar 18	347.016 – 351.136
	Hungarian forint	Sterling	HUF 139,600,000	Jan 18 – Apr 18	363.959 – 365.056
	Sterling	Hong Kong dollars	£332,962	Jan 18	10.662
	US dollars	Euros	\$86,681,596	Jan 18 – Dec 18	1.169 – 1.221
Germany	Hungarian forint	Euros	HUF 1,043,407	Jan 18	322.75 – 323.58
Belgium	Sterling	Euros	£5,319,723	Jan 18	0.881 – 0.891
	SA rand	Euros	ZAR 1,779,558	Jan 18 – May 22	16.1684 – 22.7142
	Sterling	Euros	£365,333	Jan 18	1.1304

31 December 2016

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK	Euros	Sterling	€ 1,246,671	Jan 17 – Feb 17	1.175 – 1.191
	Sterling	US dollars	£4,295,315	Jan 17 – Mar 17	1.226 – 1.269
	Sterling	Euros	£2,494,898	Jan 17 – Mar 17	1.165 – 1.188
	Sterling	Swiss francs	£2,072,401	Jan 17 – Jun 17	1.253 – 1.274
	Swiss francs	Sterling	CHF 667,000	Jan 17	1.253
	US dollars	Sterling	\$23,485,088	Jan 17 – Mar 17	1.220 – 1.274
	SA rand	Sterling	ZAR 448,731,099	Jan 17 – Dec 20	20.426 – 33.050
	Sterling	Swedish krona	£133,752	Jan 17	11.215
	Swedish krona	Sterling	SEK 10,404,564	Jan 17	11.151 – 11.199
	Sterling	Hungarian forint	£853,455	Jan 17 – Mar 17	362.990 – 374.272
	Hungarian forint	Sterling	HUF 234,441,747	Jan 17 – Oct 17	366.379 – 440.260
	Sterling	Hong Kong dollars	£419,539	Jan 17	9.517 – 9.519
Germany	US dollars	Euros	\$69,700,000	Jan 17 – Jun 17	1.0467 – 1.1269
	Hungarian forint	Euros	HUF 873,700,000	Jan 17 – Oct 18	322.75 – 323.58

The gains or losses arising from changes in the fair value of the above contracts are detailed in note 23.

Exchange rate sensitivity

The majority of the transactions in each of the Group's geographical Segments are denominated in the functional currency of that Segment. There are, however, a limited number of transactions where foreign currency exchange risk exists. In these instances the Group enters into forward currency contracts, as shown in the above table, in order to mitigate such risk. At the end of the year the fair value of the outstanding contracts was a net asset of £7,013,000 (2016: £7,854,000).

Other than differences arising from the translation of results of operations outside of the Group's functional currency, reasonably foreseeable movements in the exchange rates of +10 per cent or -10 per cent would not have a material impact on the Group's profit before tax or equity.

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted payments:

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	Total £'000
Year ended 31 December 2017					
Financial liabilities	6	982	2,945	11,852	15,785
Derivative financial instruments	–	–	1,196	–	1,196
Trade and other payables	–	791,980	–	–	791,980
	6	792,962	4,141	11,852	808,961

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	Total £'000
Year ended 31 December 2016					
Financial liabilities	–	856	1,659	1,934	4,449
Derivative financial instruments	–	181	92	–	273
Trade and other payables	–	679,538	–	–	679,538
	–	680,575	1,751	1,934	684,260

Fair value measurements recognised in the Consolidated Balance Sheet

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

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

Derivative financial instruments – forward currency contracts

At 31 December 2017 the Group had forward currency contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a net asset of £7,013,000 (2016: £7,854,000).

The realised gains from forward currency contracts in the year to 31 December 2017 of £6,293,000 (2016: £940,000) with a deferred tax liability of £1,070,000 (2016: £190,000), are offset by broadly equivalent realised losses on the related underlying transactions.

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27 Capital management

Computacenter's approach to capital management is to ensure that the Group has a strong capital base to support the development of the business and to maintain a strong credit rating, whilst aiming to maximise shareholder value.

Consistent with the Group's aim to maximise return to shareholders, the Company's Dividend Policy is to maintain a dividend cover of between 2 to 2.5 times. In 2017 the cover was 2.5 times, on an adjusted¹ profit basis (2016: 2.4 times).

The Group's capital base is primarily utilised to finance its fixed assets and working capital requirements. The Group seeks to optimise the use of working capital and improve its cash flow. As a consequence, the UK has sourced an increasing proportion of its product business via distributors in order to reduce the working capital requirements of the business.

Capital is allocated across the Group in order to minimise the Group's exposure to exchange rates. Each country finances its own working capital requirements, typically resulting in borrowings in France with cash on deposit in the UK and Germany. A notional cash pooling arrangement, which was introduced in 2013, expired in early 2017. Subsequent to expiry, an internal cash pooling arrangement was implemented which utilises internal Group financing arrangements.

In certain circumstances, the Group enters into customer contracts that are financed by leases, which are secured only on the assets that they finance, or loans. Whilst the outstanding amounts of this CSF are included within net funds³ for statutory reporting purposes, the Group excludes this CSF when managing the net funds³ of the business as this outstanding financing is matched by committed future revenues. These financing facilities, which are committed, are thus outside of the normal working capital requirements of the Group's product resale and services activities.

In certain circumstances, the Group deposits its funds in short-term investments that do not fulfil the criteria to be classified as cash and cash equivalents. The Group considers these deposits when managing the net funds³ of the business, and accordingly includes these deposits within net funds³ excluding CSF.

Capital, defined as net funds³, that the Group monitors is disclosed in note 30.

Each operating country manages its working capital in line with Group policies. The key components of working capital, i.e. trade receivables, inventory and trade payables, are managed in accordance with an agreed number of days targeted in the budget process, in order to ensure efficient capital usage.

An important element of the process of managing capital efficiently is to ensure that each operating country rewards behaviour at an account manager and account director level to minimise working capital, at a transactional level. This is achieved by increasing commission payments for early payment by customers and reduced commission payments for late payment by customers, which encourages appropriate behaviour.

The Group regularly reviews the adequacy of its facilities against any foreseeable peak borrowing requirement. See note 20 for details on uncommitted overdraft facilities available to the Group.

28 Issued capital and reserves

Authorised share capital

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital. The Company's Articles of Association has been amended to reflect this change.

Issued share capital – ordinary shares

Issued and fully paid	7½p ordinary shares No.'000	0.01p Deferred shares No.'000	Total £'000
At 1 January 2016	122,658	292,944	9,297
Issue of shares	30	–	2
At 31 December 2016 and 31 December 2017	122,688	292,944	9,299

During the year, the issued share capital remained unchanged [2016: an increase of £2,000].

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company. On a winding up of the Company, holders of ordinary shares may be entitled to the residual assets of the Company.

The Company has a number of share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees [note 29].

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued/redeemed at a premium.

Capital redemption reserve

The capital redemption reserve is used to maintain the Company's capital following the purchase and cancellation of its own shares. During the year the Company repurchased nil of its own shares for cancellation [2016: nil].

Own shares held

Own shares held comprise the following:

i) Computacenter Employee Share Ownership Plan

Shares in the Parent undertaking comprise 1,588,994 [2016: 1,877,317] 7½ pence ordinary shares of Computacenter plc purchased by the Computacenter Employee Share Ownership Plan [the Plan]. The principal purpose of the Plan is to be funded with shares that will satisfy discretionary executive share plans. The number of shares held represents 1.3 per cent [2016: 1.5 per cent] of the Company's issued share capital.

Since 31 December 2002, the definition of beneficiaries under the ESOP Trust has been expanded to include employees who have been awarded options to acquire ordinary shares of 7½ pence each in Computacenter plc under other employee share plans of the Group, namely the Computacenter Service Group plc Approved Executive Share Option Plan, the Computacenter plc Employee Share Option Scheme 1998, the Computacenter Service Group plc Unapproved Executive Share Option Scheme, the Computacenter Performance Related Share Option Scheme 1998, the Computacenter plc Sharesave Plus Scheme and any future similar share ownership schemes.

All costs incurred by the Plan are settled directly by Computacenter (UK) Limited and charged in the accounts as incurred.

The Plan Trustees have waived the dividends receivable in respect of 1,588,994 7½ pence ordinary shares [2016: 1,877,317] that it owns which are all unallocated shares.

ii) Computacenter Qualifying Employee Share Trust ('the Quest')

The total shares held are 188,822 [2016: 183,419] 7½ pence ordinary shares, which represents 0.15 per cent [2016: 0.15 per cent] of the Company's issued share capital. All of these shares will continue to be held by the Quest until such time as the Sharesave options granted against them are exercised. The market value of these shares at 31 December 2017 was £2,177,118 [2016: £1,467,352]. The Quest Trustees have waived dividends in respect of all of these shares. During the year the Quest subscribed for nil 7½ pence ordinary shares [2016: nil].

Translation and hedging reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of foreign subsidiaries. The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges.

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29 Share-based payments

Executive share option scheme

During the year, nil options were exercised with respect to 7½ pence ordinary shares [2016: 30,000] at a nominal value of nil [2016: £2,268] at an aggregate premium of nil [2016: £83,232].

Under the Computacenter Employee Share Option Scheme 1998 and the Computacenter Services Group Executive Share Scheme, options in respect of nil [2016: nil] shares lapsed.

Computacenter Performance Share Plan (PSP)

Under the Computacenter PSP, shares granted will be subject to certain performance conditions as described in the Annual Remuneration report.

During the year 783,750 [2016: 609,748] shares were awarded, 542,692 [2016: 697,747] were exercised and 226,351 [2016: 202,062] lapsed. At 31 December 2017 the number of shares outstanding was as follows:

Date of grant	Maturity date	Share price at date of grant	2017 Number outstanding	2016 Number outstanding
17/03/2011	17/03/2014	423.00p	2,660	2,660
23/03/2012	23/03/2015	433.00p	2,285	2,285
03/05/2013	21/03/2016	440.00p	29,739	45,827
20/03/2014	20/03/2017	682.50p	91,789	689,619
26/03/2015	26/03/2018	720.00p	633,118	655,938
22/03/2016	22/03/2019	847.00p	515,209	592,618
22/03/2017	22/03/2020	736.50p	718,985	–
			1,993,785	1,988,947

The weighted average share price at the date of exercise for the options exercised is £7.30 [2016: £8.42].

The weighted average remaining contractual life for the options outstanding as at 31 December 2017 is 1.2 years [2016: 1.1 years].

Computacenter Sharesave Scheme

The Group operates a Sharesave Scheme which is available to all employees and full time Executive Directors of the Group and its subsidiaries who have worked for a qualifying period. All options granted under this scheme are satisfied at exercise by way of a transfer of shares from the Computacenter Qualifying Employee Share Trust. During the year 1,129,930 [2016: 992,698] options were granted with a fair value of £3,313,733 [2016: £1,387,847].

Under the scheme the following options have been granted and are outstanding at the year end:

Date of grant	Exercisable between	Share price	2017 Number outstanding	2016 Number outstanding
October 2011	01/12/2016 – 31/05/2017	332.00p	–	54,980
October 2012	01/12/2017 – 31/05/2018	343.00p	86,996	354,320
October 2013	01/12/2016 – 31/05/2017	484.00p	–	96,348
October 2013	01/12/2018 – 31/05/2019	430.00p	541,181	578,676
October 2014	01/12/2017 – 31/05/2018	589.50p	81,317	338,464
October 2014	01/12/2019 – 31/05/2020	524.00p	608,800	660,065
October 2015	01/12/2018 – 31/05/2019	675.00p	309,746	340,825
October 2015	01/12/2020 – 31/05/2021	600.00p	647,698	689,652
October 2016	01/12/2019 – 31/05/2020	649.00p	297,351	336,371
October 2016	01/12/2021 – 31/05/2022	577.00p	609,627	649,665
October 2017	01/12/2020 – 31/05/2021	888.00p	358,724	–
October 2017	01/12/2022 – 31/05/2023	789.00p	766,025	–
			4,307,465	4,099,366

The following table illustrates the No. and WAEP of share options for the Sharesave Scheme:

	2017 No.	2017 WAEP	2016 No.	2016 WAEP
Sharesave Scheme				
Outstanding at the beginning of the year	4,099,366	£4.28	3,957,127	£5.03
Granted during the year	1,129,930	£8.21	992,698	£6.02
Forfeited during the year	(213,777)	£5.89	(268,047)	£5.41
Exercised during the year***	(708,054)	£4.58	(582,412)	£3.85
Outstanding at the end of the year	4,307,465	£6.26	4,099,366	£5.41
Exercisable at the end of the year	167,149	£5.44	151,328	£4.28

Note

*** The weighted average share price at the date of exercise for the options exercised is £10.08 (2016: £7.82).

The weighted average remaining contractual life for the options outstanding as at 31 December 2017 is 3.2 years (2016: 3.2 years).

The fair value of the Performance Share Plan (PSP) and Sharesave Scheme plans are estimated as at the date of grant using the Black-Scholes valuation model. The following tables give the assumptions made during the year ended 31 December 2017 and 31 December 2016:

2017

Nature of the arrangement	PSP scheme	PSP scheme	PSP scheme	PSP scheme	SAYE scheme	SAYE scheme
Date of grant	04/07/2017	18/09/2017	22/03/2017	22/03/2017	01/12/2017	01/12/2017
Number of instruments granted	62,150	10,648	335,235	375,717	362,917	767,013
Exercise price	£nil	£nil	£nil	£nil	£8.88	£7.89
Share price at date of grant	£8.04	£9.86	£7.37	£7.37	£10.78	£10.78
Contractual life (years)	3	3	3	3	3	5
Vesting conditions	See the Annual Remuneration Report on page 75 in 2016 Annual Report and Accounts	See note 1 below	See the Annual Remuneration Report on page 75 in 2016 Annual Report and Accounts	See note 1 below	Three-year service period and savings requirement	Five-year service period and savings requirement
Expected volatility	n/a	n/a	n/a	n/a	25.3%	28.4%
Expected option life at grant date (years)	3	3	3	3	3	5
Risk-free interest rate	n/a	n/a	n/a	n/a	0.74%	0.74%
Dividend yield	3.0%	2.4%	3.2%	3.2%	2.5%	2.5%
Fair value per granted instrument determined at grant date	£7.37	£9.18	£6.69	£6.69	£2.36	£3.21

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

continued

29 Share-based payments continued 2016

Nature of the arrangement	PSP scheme	PSP scheme	SAYE scheme	SAYE scheme
Date of grant	22/03/2016	22/03/2016	19/10/2016	19/10/2016
Number of instruments granted	293,574	298,504	341,164	651,534
Exercise price	£nil	£nil	£6.49	£5.77
Share price at date of grant	£8.47	£8.47	£7.21	£7.21
Contractual life (years)	3	3	3	5
Vesting conditions	See the Annual Remuneration Report on page 71 in 2015 Annual Report and Accounts	See note 1 below	Three-year service period and savings requirement	Five-year service period and savings requirement
Expected volatility	n/a	n/a	26.0%	30.9%
Expected option life at grant date (years)	3	3	3	5
Risk-free interest rate	n/a	n/a	0.59%	0.59%
Dividend yield	2.8%	2.8%	3.72%	3.72%
Fair value per granted instrument determined at grant date	£7.79	£7.79	£1.19	£1.51

Note

1. Issued under the terms of the Computacenter Performance Share Plan 2006, as amended at the AGM held on 13 May 2011. One-quarter of the shares will vest if the compound annual EPS growth over the performance period equals 5 per cent per annum. One-half of the shares will vest if the compound annual EPS growth over the performance period equals 7.5 per cent and will vest in full if the compound annual EPS growth over the performance period equals 10 per cent. If the compound annual EPS growth over the performance period is between 5 and 10 per cent, shares awarded will vest on a straight-line basis. The performance period usually covers a period of three years from 1 January of the year the award is granted.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the recent historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of the options granted were incorporated into the measurement of fair value.

30 Analysis of changes in net funds

	At 1 January 2017 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2017 £'000
Cash and short-term deposits	118,676	84,708	–	3,221	206,605
Bank overdraft	–	[6]	–	–	[6]
Cash and cash equivalents	118,676	84,702	–	3,221	206,599
Current asset investments	30,000	[30,000]	–	–	–
Bank loans	[294]	[10,297]	–	[76]	[10,667]
Net funds excluding CSF	148,382	44,405	–	3,145	195,932
CSF leases	[3,477]	[1,486]	366	[148]	[4,745]
Customer-specific other loans	[413]	338	–	75	–
Total CSF	[3,890]	[1,148]	366	[73]	[4,745]
Net funds	144,492	43,257	366	3,072	191,187

	At 1 January 2016 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2016 £'000
Cash and short-term deposits	111,770	[5,840]	–	12,746	118,676
Bank overdraft	[90]	90	–	–	–
Cash and cash equivalents	111,680	[5,750]	–	12,746	118,676
Current asset investments	15,000	15,000	–	–	30,000
Bank loans	[5]	[278]	–	[11]	[294]
Net funds excluding CSF	126,675	8,972	–	12,735	148,382
CSF leases	[4,373]	1,167	377	[648]	[3,477]
Customer-specific other loans	[1,514]	1,101	–	–	[413]
Total CSF	[5,887]	2,268	377	[648]	[3,890]
Net funds	120,788	11,240	377	12,087	144,492

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

continued

31 Capital commitments

At 31 December 2017, the Group held significant commitments for capital expenditure of £25.3 million in relation to the fit-out of the new German headquarters and logistics facility in Kerpen (2016: nil).

32 Pensions and other post-employment benefit plans

The Group has a defined contribution pension plan, covering substantially all of its employees in the UK. The amount recognised as an expense for this plan is detailed in note 7. Details of the Retirement Benefit obligation for Computacenter France are given in note 25.

33 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.

Triage Services Limited mainly provides IT hardware repair services to many of Computacenter's customers. MJ Norris is a Director of and has a material interest in Triage Services 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 to related parties £'000
Biomni Limited	2	867	–

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.

Compensation of key management personnel (including Directors)

The Board of Directors is identified as the Group's key management personnel. Please refer to the information given in the remuneration table in the Annual Remuneration report on page 81 for details of compensation given to the Group's key management personnel. A summary of the compensation of key management personnel is provided below:

	2017 £'000	2016 £'000
Short-term employee benefits	1,842	1,407
Social security costs	383	604
Share-based payment transactions	1,563	1,565
Pension costs	51	19
Total compensation paid to key management personnel	3,839	3,595

The interest of the key management personnel in the Group's share incentive schemes are disclosed in the Annual Remuneration report on pages 85 and 86.

34 Contingent liabilities

The Company has given a guarantee in the normal course of business to suppliers of subsidiaries undertaking for an amount not exceeding £117.6 million (2016: £102.6 million).

35 Events after the balance sheet date

Return of Value

On 25 August 2017, Computacenter announced its interim results for the six-month period ended 30 June 2017, and that it intended to make a one-off Return of Value to shareholders of approximately £100 million (the 'Return of Value'). The Company subsequently announced on 14 November 2017 that the Return of Value would be undertaken by way of a Tender Offer for ordinary shares to be launched after the release of its full-year trading update in January 2018, which was released on 22 January 2018. On 23 January 2018, the Company published further details of the timing and structure of the Return of Value by way of a shareholder circular (the 'Circular').

On 13 February 2018, the Company announced the results of the Tender Offer set out in the Circular which closed on 9 February 2018.

A total of 44,089,779 ordinary shares were validly tendered and, in accordance with the terms and conditions of the Tender Offer (as set out in the Circular), the Strike Price was determined to be 1170 pence. Accordingly, 8,546,861 ordinary shares were purchased at a price per ordinary share of 1170 pence, for a total cost of £99,998,273.70. This represented approximately 6.97 per cent of the issued share capital of the Company as at 31 December 2017.

As set out in the Circular, the 8,546,861 ordinary shares were purchased by Credit Suisse pursuant to the Tender Offer and the Company purchased such ordinary shares from Credit Suisse at the Strike Price on 14 February 2018. The Company holds the ordinary shares purchased pursuant to the Tender Offer in treasury. Immediately following the purchase, the Company's issued share capital consisted of 122,687,970 ordinary shares of 7½ pence each, each carrying one voting right, of which the Company held 8,546,861 ordinary shares in treasury.

As at 14 February 2018, the total number of voting rights in the Company which may be used by shareholders as the denominator for the calculations by which they can determine if they are required to notify their interest in, or a change to their interest in the Company, under the Disclosure and Transparency Rules, is 114,141,109. The percentage of voting rights attributable to those shares it holds in treasury following the share buy-back is 6.97 per cent.

For further information refer to page 53 of the Strategic Report.

Committed overdraft facility

As disclosed in note 20 to the Consolidated Financial Statements, the committed overdraft facility available to Group was £40.0 million, which remained unutilised as at 31 December 2017. This facility was renewed in February 2018 for a further three years and extended to a value of £60 million.

Company Balance Sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	3	50,721	59,221
Investment property	4	16,071	17,106
Investments	5	206,813	200,590
		273,605	276,917
Current assets			
Debtors	6	169,870	130,233
Cash at bank and in hand		154	62
		170,024	130,295
Creditors: amounts falling due within one year	7	546	543
Net current assets		169,478	129,752
Total assets less current liabilities		443,083	406,669
Net assets		443,083	406,669
Capital and reserves			
Issued share capital		9,299	9,299
Share premium		3,913	3,913
Capital redemption reserve		74,957	74,957
Merger reserve		55,990	55,990
Own shares held		(11,360)	(12,115)
Retained earnings		310,284	274,625
Shareholders' equity		443,083	406,669

Approved by the Board on 13 March 2018

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Company Statement of Changes in Equity

For the year ended 31 December 2017

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	Issued share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Own shares held £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 January 2017	9,299	3,913	74,957	55,990	(12,115)	274,625	406,669
Profit for the year	–	–	–	–	–	62,960	62,960
Total comprehensive income for the year	–	–	–	–	–	62,960	62,960
Exercise of options	–	–	–	–	9,613	(6,389)	3,224
Share options granted to employees of subsidiary companies	–	–	–	–	–	6,200	6,200
Purchase of own shares	–	–	–	–	(8,858)	–	(8,858)
Equity dividends	–	–	–	–	–	(27,112)	(27,112)
At 31 December 2017	9,299	3,913	74,957	55,990	(11,360)	310,284	443,083
At 1 January 2016	9,297	3,830	74,957	55,990	(10,571)	177,202	310,705
Profit for the year	–	–	–	–	–	126,594	126,594
Total comprehensive income for the year	–	–	–	–	–	126,594	126,594
Exercise of options	–	–	–	–	7,449	(5,714)	1,735
Share options granted to employees of subsidiary companies	–	–	–	–	–	3,345	3,345
Issue of shares	2	83	–	–	–	–	85
Purchase of own shares	–	–	–	–	(8,993)	–	(8,993)
Equity dividends	–	–	–	–	–	(26,802)	(26,802)
At 31 December 2016	9,299	3,913	74,957	55,990	(12,115)	274,625	406,669

Notes to the Company Financial Statements

For the year ended 31 December 2017

1 Authorisation of Financial Statements and statement of compliance with FRS 101

The Parent Company Financial Statements of Computacenter plc [the Company] for the year ended 31 December 2017 were authorised for issue by the Board of Directors on 13 March 2018 and the Balance Sheet was signed on the Board's behalf by MJ Norris and FA Conophy. Computacenter plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework [FRS 101]. The Financial Statements are prepared under the historical cost convention.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Computacenter plc are included in the Consolidated Financial Statements of Computacenter plc which are available from Computacenter plc, Hatfield Business Park, Hatfield Avenue, Hatfield, AL10 9TW. The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2017. The Financial Statements are prepared in pound sterling and are rounded to the nearest thousand pounds (£'000).

2 Summary of significant accounting policies

Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment;
- (b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- (c) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
 - (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - (v) paragraph 50 of IAS 41 Agriculture.
- (g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (h) the requirements of IAS 7 Statement of Cash Flows;
- (i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (k) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (l) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The basis for all of the above exemptions is because equivalent disclosures are included in the Consolidated Financial Statements of the Group in which the entity is consolidated.

Intellectual property

Licences purchased in respect of intellectual property are capitalised, classified as an intangible asset on the Balance Sheet and amortised on a straight-line basis over the period of the licence, normally 20 years.

Depreciation of fixed assets

Freehold land is not depreciated. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	25 years
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Investment property

Investment property is defined as land and/or buildings held by the Company to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in supply of goods or services or for administrative purposes. The Company recognises any part of an owned (or leased under a finance lease) property that is leased to third-parties as investment property, unless it represents an insignificant portion of the property.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, the Company elected to measure investment property at cost less accumulated depreciation and accumulated impairment losses, if any (i.e. applying the same accounting policies (including useful lives) as for property, plant and equipment). The fair values, which reflect the market conditions at the balance sheet date, are disclosed in note 4.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Impairment of assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Share-based payment transactions

The accounting policy in relation to share-based payment transactions is disclosed in full in the Consolidated Financial Statements. In addition to that, the financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual Financial Statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

On transition to IFRS, the Group did not apply the measurement rules of IFRS 2 to equity-settled awards granted before 7 November 2002 or granted after that date and vested before 1 January 2005. However, later modifications of such equity instruments are measured under IFRS 2.

Taxation

Corporation tax payable is provided on taxable profits at the current tax rate. Where Group relief is surrendered from other subsidiaries in the Group, the Company is required to pay to the surrendering company an amount equal to the loss surrendered multiplied by the current tax rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Own shares held

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

Merger accounting and the merger reserve

Prior to 1 January 2013, certain significant business combinations were accounted for using the 'pooling of interests method' (or merger accounting), which treats the merged groups as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations gave rise to a merger reserve in the Consolidated Balance Sheet, being the difference between the nominal value of new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's own share capital and share premium account. These transactions have not been restated, as permitted by the IFRS 1 transitional arrangements.

The merger reserve is also used where more than 90 per cent of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006.

3 Intangible assets

	Intellectual property £'000
Cost	
At 1 January 2017 and 31 December 2017	169,737
Amortisation	
At 1 January 2017	110,516
Charge in the year	8,500
At 31 December 2017	119,016
Net book value	
At 31 December 2017	50,721
At 31 December 2016	59,221

Notes to the Company Financial Statements

For the year ended 31 December 2017

continued

4 Investment properties

	Freehold land and buildings £'000
Cost	
At 1 January 2017 and 31 December 2017	42,350
Depreciation	
At 1 January 2017	25,244
Charge in the year	1,035
At 31 December 2017	26,279
Net book value	
At 31 December 2017	16,071
At 31 December 2016	17,106

Investment property represents a building owned by the Company that is leased to Computacenter (UK) Ltd, a fully owned subsidiary of the Company.

The fair value of investment property amounted to £37.3 million at 31 December 2017 (2016: £36.5 million). The fair values for disclosure purposes have been determined using either the support of qualified independent external valuers or by internal valuers with the necessary recognised and relevant professional qualification, applying a combination of the present value of future cash flows and observable market values of comparable properties. Management's most recent external valuation of this property took place in February 2016. As this property is leased to a subsidiary and is carried at depreciated cost value, an updated external valuation was not sought at 31 December 2017.

5 Investments

	Investments in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Investment £'000	Total £'000
Cost				
At 1 January 2017	316,579	2,754	25	319,358
Additions	23	–	–	23
Share-based payments	6,200	–	–	6,200
At 31 December 2017	322,802	2,754	25	325,581
Amounts provided				
At 1 January 2017 and at 31 December	115,989	2,754	25	118,768
Net book value				
At 31 December 2017	206,813	–	–	206,813
At 31 December 2016	200,590	–	–	200,590

Details of the principal investments at 31 December in which the Company holds more than 20 per cent of the nominal value of ordinary share capital are given in note 17 to the Consolidated Financial Statements.

6 Debtors

	2017 £'000	2016 £'000
Amount owed by subsidiary undertaking	169,729	130,090
Other debtors	127	127
Deferred tax	14	16
	169,870	130,233

7 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Corporation tax	546	543
	546	543

8 Contingent liabilities

The Company has given a guarantee in the normal course of business to suppliers of subsidiaries undertaking for an amount not exceeding £117.6 million (2016: £102.6 million).

The Company has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December 2017 is £nil (2016: £0.1 million).

9 Auditor's remuneration

All auditor's remuneration is borne by Computacenter (UK) Ltd, a fully-owned UK subsidiary of the Company. The amount payable to the auditor in respect of the audit of the Company is £90,000 (2016: £90,000), all of which is payable to KPMG LLP. The Company is exempt from providing details of non-audit fees as it prepares Consolidated Financial Statements in which the details are required to be disclosed on a consolidated basis (see note 5 to the Consolidated Financial Statements).

10 Distributable Reserves

Dividends are paid from the standalone Balance Sheet of Computacenter plc, and as at 31 December 2017, the distributable reserves are approximately £299 million (2016: £262 million).

11 Events after balance sheet date

Return of Value

On 25 August 2017, Computacenter announced its interim results for the six-month period ended 30 June 2017, and that it intended to make a one-off Return of Value to shareholders of approximately £100 million [the 'Return of Value']. The Company subsequently announced on 14 November 2017 that the Return of Value would be undertaken by way of a Tender Offer for ordinary shares to be launched after the release of its full-year trading update in January 2018, which was released on 22 January 2018. On 23 January 2018, the Company published further details of the timing and structure of the Return of Value by way of a shareholder circular [the 'Circular'].

On 13 February 2018, the Company announced the results of the Tender Offer set out in the Circular which closed on 9 February 2018.

A total of 44,089,779 ordinary shares were validly tendered and, in accordance with the terms and conditions of the Tender Offer (as set out in the Circular), the Strike Price was determined to be 1170 pence. Accordingly, 8,546,861 ordinary shares were purchased at a price per ordinary share of 1170 pence, for a total cost of £99,998,273.70. This represented approximately 6.97 per cent of the issued share capital of the Company as at 31 December 2017.

As set out in the Circular, the 8,546,861 ordinary shares were purchased by Credit Suisse pursuant to the Tender Offer and the Company purchased such ordinary shares from Credit Suisse at the Strike Price on 14 February 2018. The Company holds the ordinary shares purchased pursuant to the Tender Offer in treasury. Immediately following the purchase, the Company's issued share capital consisted of 122,687,970 ordinary shares of 7½ pence each, each carrying one voting right, of which the Company held 8,546,861 ordinary shares in treasury.

As at 14 February 2018, the total number of voting rights in the Company which may be used by shareholders as the denominator for the calculations by which they can determine if they are required to notify their interest in, or a change to their interest in the Company, under the Disclosure and Transparency Rules, is 114,141,109. The percentage of voting rights attributable to those shares it holds in treasury following the share buy-back is 6.97 per cent.

For further information refer to page 53 of the Strategic Report.

Disclaimer: forward-looking statements

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

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

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

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

Group five-year financial review and dates

Group five-year summary results

As of 31 December

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Revenue	3,072.1	3,107.8	3,057.6	3,245.4	3,793.4
Adjusted ¹ operating profit	82.2	86.1	87.4	86.2	105.5
Adjusted ¹ profit before tax	81.7	85.9	87.2	86.4	106.2
Statutory profit for the year	33.2	55.1	103.1	63.8	81.3
Adjusted ¹ diluted earnings per share	43.3p	46.8p	53.6p	54.0p	65.1p
Net cash excluding CSF	90.3	128.5	126.7	148.4	195.9
Year end headcount	12,703	13,175	12,993	13,373	14,026

Note: The 2015 results above are presented including RDC. This subsidiary was disposed during 2015 and was excluded, as an adjusted¹ item, within the 2015 and 2016 Annual Report and Accounts.

Group five-year summary balance sheet

As at 31 December

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
Tangible assets	89.0	79.9	57.1	63.0	77.9
Investment property	–	–	10.3	10.0	–
Intangible assets	98.9	90.3	81.5	76.3	80.3
Investment in associate	–	–	–	0.1	0.1
Deferred tax asset	15.2	15.1	12.8	10.5	9.1
Inventories	58.6	50.0	45.7	44.0	69.3
Trade and other receivables	667.7	695.9	621.8	740.4	835.4
Prepayments and accrued income	114.8	103.6	106.5	139.5	162.6
Forward currency contracts	[2.4]	2.4	2.2	8.1	8.2
Current asset investment	–	–	15.0	30.0	–
Cash	91.1	129.9	111.8	118.7	206.6
Current liabilities	[745.3]	[768.5]	[695.9]	[804.8]	[940.9]
Non-current liabilities	[22.9]	[13.2]	[7.3]	[7.9]	[19.7]
Net assets	364.7	385.4	361.5	428.0	488.9

Financial calendar

Title	Date
AGM	18 May 2018
Ex-dividend date	31 May 2018
Dividend record date	1 June 2018
Dividend payment date	29 June 2018
Interim results announcement	24 August 2018

Board of Directors

Greg Lock (Non-Executive Chairman)
Mike Norris (Chief Executive Officer)
Tony Conophy (Group Finance Director)
Philip Yea (Senior Independent Director)
Philip Hulme (Non-Executive Director)
Peter Ogden (Non-Executive Director)
Minnow Powell (Non-Executive Director)
Regine Stachelhaus (Non-Executive Director)
Ros Rivaz (Non-Executive Director)

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