



## Computacenter - Final Results 2017

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### Computacenter plc

#### Final results for the year ended 31 December 2017

Computacenter plc ("Computacenter" or the "Group"), the independent provider of IT infrastructure and services that enables users and their business, today announces audited results for the year ended 31 December 2017.

<b>Financial Highlights</b>	<b>2017</b>	<b>2016</b>	<b>Percentage Change Increase/ (Decrease)</b>
<b><u>Financial Performance</u></b>			
Revenue ( <i>£ million</i> )	<b>3,793.4</b>	3,245.4	16.9
Adjusted <sup>1</sup> profit before tax ( <i>£ million</i> )	<b>106.2</b>	86.4	22.9
Adjusted <sup>1</sup> diluted earnings per share ( <i>pence</i> )	<b>65.1</b>	54.0	20.6
Dividend per share ( <i>pence</i> )	<b>26.1</b>	22.2	17.6
Statutory profit before tax ( <i>£ million</i> )	<b>111.7</b>	87.1	28.2
Statutory diluted earnings per share ( <i>pence</i> )	<b>66.5</b>	52.3	27.2
<b><u>Cash Position</u></b>			
Net funds <sup>3</sup> ( <i>£ million</i> )	<b>191.2</b>	144.5	32.3
Net cash flow from operating activities ( <i>£ million</i> )	<b>106.1</b>	68.2	55.6

#### **Revenue Performance by Sector**

Services revenue (£ million)	<b>1,157.2</b>	1,037.9	11.5
Supply Chain revenue (£ million)	<b>2,636.2</b>	2,207.5	19.4

### **Reconciliation between Adjusted<sup>1</sup> and Statutory Performance**

Adjusted <sup>1</sup> profit before tax (£ million)	<b>106.2</b>	86.4	
<i>Exceptional and other adjusting items:</i>			
Release of provision for onerous German contracts (£ million)	<b>1.4</b>	-	
Exceptional gain on disposal of an investment property (£ million)	<b>4.3</b>	-	
Gain on reversal of fair value adjustments (£ million)	-	3.0	
Increase in estimated costs of redundancy and other restructuring in French business (£ million)	-	(1.1)	
Exceptional loss on disposal of a subsidiary (£ million)	-	(0.5)	
Amortisation of acquired intangibles (£ million)	<b>(0.2)</b>	(0.7)	
Statutory profit before tax (£ million)	<b>111.7</b>	87.1	

### **Operational Highlights:**

- Record adjusted<sup>1</sup> EPS of 65.1 pence (2016: 54.0 pence), an increase of 20.6 per cent
- The Group's total revenues grew £548 million during the year, £408 million in constant currency<sup>2</sup>
- Germany delivers another record performance with full year revenue growth of 15.5 per cent driven by excellent Supply Chain sales leading to a 57.0 per cent increase in adjusted<sup>1</sup> operating profit, both on a constant currency<sup>2</sup> basis
- The UK re-established positive sales momentum with growth of 8.8 per cent in full year revenue. Supply Chain margin challenges, and increasing SG&A, contributed to an 18.2 per cent decline in adjusted<sup>1</sup> operating profit
- France again performs ahead of Management's expectation for 2017, with revenue growth of 13.0 per cent and an 80.0 per cent increase in adjusted<sup>1</sup> operating profit, both on a constant currency<sup>2</sup> basis

### **Mike Norris, Chief Executive of Computacenter plc, commented:**

'The growth rates we recorded in 2017 meant we achieved record Group revenues, adjusted<sup>1</sup> profit before tax and adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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.'

<sup>1</sup> *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 within the Group Finance Director's review included within this announcement. Further detail is provided within note 4 to the summary financial information included within this announcement.*

<sup>2</sup> *We evaluate the long-term performance and trends within our strategic key performance indicators (KPIs) 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. Financial Highlights, as shown at the beginning of this announcement, and statutory measures, are provided in the reported pound sterling equivalent.*

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

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***DISCLAIMER - FORWARD LOOKING STATEMENTS***

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

*By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group's operations and the development of the markets and the industry in which they operate or are likely to operate and their respective operations may differ materially from those described in, or suggested by, the forward-looking statements contained in this announcement. In addition, even if the results of operations and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those risks in the risk factor section of the 2016 Computacenter Annual Report and Accounts, as well as general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development.*

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

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

**Letter from the Chairman**

**Managed for the long term**

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 currency<sup>2</sup>. By any measure, this growth of 16.9 per cent, 12.0 per cent in constant currency<sup>2</sup>, 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 currency<sup>2</sup> and Germany 15.5 per cent in constant currency. 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 adjusted<sup>1</sup> 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**

**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 currency<sup>2</sup>.

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 adjusted<sup>1</sup> profit before tax exceeding £100 million for the first time. The Group's adjusted<sup>1</sup> 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 currency<sup>2</sup>.

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 adjusted<sup>1</sup> 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 in note 5 to this summary financial information included within this announcement.

Adjusted<sup>1</sup> 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 currency<sup>2</sup> 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 focussed 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 currency<sup>2</sup>, and by 14.4 per cent in reported pound sterling equivalents<sup>2</sup> 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 currency<sup>2</sup>, and by 23.4 per cent in reported pound sterling equivalents<sup>2</sup> 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 currency<sup>2</sup>, and by 19.0 per cent in reported pound sterling equivalents<sup>2</sup>, 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 summary financial information included within this announcement. All discussion within this announcement 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 currency<sup>2</sup> 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 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 currency<sup>2</sup> and by 28.5 per cent in reported pound sterling equivalents<sup>2</sup>. 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 currency<sup>2</sup> and by 20.7 per cent in reported pound sterling equivalents<sup>2</sup>. 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 currency<sup>2</sup> basis by 2.4 per cent and increased by 4.5 per cent in reported pound sterling equivalents<sup>2</sup>, 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 reenergising 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, adjusted<sup>1</sup> profit before tax and adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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.

## **United Kingdom**

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 adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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 Management and governance costs are recharged to other Group Segments. However, the UK Segment continues to incur the majority of Group Management and Group governance costs, as the Group is UK domiciled.

Overall, this resulted in adjusted<sup>1</sup> operating profit decreasing by 18.2 per cent to £38.3 million (2016: £46.8 million). There was no difference between adjusted<sup>1</sup> 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.

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 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.

#### **Germany**

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 equivalents<sup>2</sup>.

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 exiting new deals in the pipeline, which should help to grow the business in the future.

Margins in Germany increased by 10 basis points with adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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 equivalents<sup>2</sup>.

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 equivalents<sup>2</sup>. Whilst a pleasing overall performance and significantly lower than the increase in adjusted<sup>1</sup> 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.

Adjusted<sup>1</sup> 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 equivalents<sup>2</sup>.

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 equivalents<sup>2</sup>.

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 equivalents<sup>2</sup>. This included growth of 2.2 per cent in Professional Services and 8.8 per cent in Managed Services, both on a constant currency<sup>2</sup> 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 remains 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 equivalents<sup>2</sup>.

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.

#### **France**

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 equivalents<sup>2</sup>.

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 hand over 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 adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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 equivalents<sup>2</sup>.

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 equivalents<sup>2</sup>, which was less than the increase in adjusted<sup>1</sup> gross profit. The increase was primarily due to variable pay growth related to the French performance.

Adjusted<sup>1</sup> 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 equivalents<sup>2</sup>.

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 equivalents<sup>2</sup>.

#### *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 equivalents<sup>2</sup>.

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 currency<sup>2</sup> and 24.9 per cent in reported pound sterling equivalents<sup>2</sup>. 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 currency<sup>2</sup>, 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

currency<sup>2</sup> 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 equivalents<sup>2</sup>.

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.

### **Belgium**

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 equivalents<sup>2</sup>.

Margins in Belgium increased by 110 basis points with adjusted<sup>1</sup> gross profit increasing from 13.2 per cent to 14.3 per cent of revenues. This resulted in overall adjusted<sup>1</sup> 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 equivalents<sup>2</sup>.

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 equivalents<sup>2</sup>, which was less than the increase in adjusted<sup>1</sup> 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.

Adjusted<sup>1</sup> 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 equivalents<sup>2</sup>.

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 equivalents<sup>2</sup>.

### *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 equivalents<sup>2</sup>. This included growth of 8.7 per cent in Professional Services and 11.1 per cent in Managed Services, both on a constant currency<sup>2</sup> 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 equivalents<sup>2</sup>.

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.

### **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 adjusted<sup>1</sup> and statutory measures is provided within the Group Finance Director's Review. Further details are provided in note 4 to the summary financial information included within this announcement, Segment Information.

#### *Profit before tax*

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

Adjusted<sup>1</sup> 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 currency<sup>2</sup>.

The difference between statutory profit before tax and adjusted<sup>1</sup> profit before tax primarily relates to the Group's reported net gain of £5.7 million (2016: £1.4 million) from exceptional items.

#### *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 adjusted<sup>1</sup> 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 currency<sup>2</sup>.

*Reconciliation from statutory to adjusted<sup>1</sup> measures for the year ended 2017*

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

*Reconciliation from statutory to adjusted<sup>1</sup> measures for the year ended 2016*

	<b>Statutory results</b>	CSF interest	Utilisation of	Exceptionals and others	<b>Adjusted<sup>1</sup> results</b>

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

#### 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	<b>1,700.3</b>	<b>2,093.1</b>	<b>3,793.4</b>
2017/16	<b>15.0%</b>	<b>18.4%</b>	<b>16.9%</b>

*Adjusted<sup>1</sup> 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%
<b>2017</b>	<b>41.9</b>	<b>2.5%</b>	<b>64.3</b>	<b>3.1%</b>	<b>106.2</b>	<b>2.8%</b>
2017/16	65.6%		5.2%		22.9%	

*Revenue by country*

	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

*Adjusted<sup>1</sup> operating profit by country*

	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 adjusted<sup>1</sup> 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 adjusted<sup>1</sup> tax charge on ordinary activities was £26.6 million (2016: £20.6 million), on an adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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 adjusted<sup>1</sup> tax rate.

The Group's adjusted<sup>1</sup> 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 adjusted<sup>1</sup> tax measure. In 2017, this impact increased the statutory tax rate by 3.1 per cent.

From 2018 onwards, we expect an increasing adjusted<sup>1</sup> 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 adjusted<sup>1</sup> ETR. At 2017 levels of profitability, the increase in German cash tax would raise the Group adjusted<sup>1</sup> 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 adjusted<sup>1</sup> 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 summary financial information included within this announcement, Segment Information.

The table below reconciles the statutory tax charge to the adjusted<sup>1</sup> tax charge for the year ended 31 December 2017.

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Statutory tax charge</b>	<b>30,381</b>	23,300
Adjustments to exclude:		
Utilisation of German deferred tax assets	<b>(3,457)</b>	(2,580)
Tax on amortisation of acquired intangibles	<b>31</b>	72
Tax on exceptional items	<b>(351)</b>	(192)
<b>Adjusted<sup>1</sup> tax charge</b>	<b>26,604</b>	20,600
<b>Statutory ETR</b>	<b>27.2%</b>	26.8%
<b>Adjusted<sup>1</sup> ETR</b>	<b>25.0%</b>	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

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

### Dividends

The Group remains highly cash generative and net funds<sup>3</sup> 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 adjusted<sup>1</sup> 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.

### Net funds

Net funds<sup>3</sup> 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 funds<sup>3</sup> 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 funds<sup>3</sup> 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 funds<sup>3</sup> 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 funds<sup>3</sup> 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 funds<sup>3</sup> enhancing, at 31 December 2016.

The Group's net funds<sup>3</sup> 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 funds<sup>3</sup> 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 funds<sup>3</sup> 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 adjusted<sup>1</sup> 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 summary financial information included within this announcement, 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 7 5/9 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)
- 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 Risk Committee and will be summarised for review at the Audit Committee.

#### Going Concern

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. Thus, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

#### 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.

**MJ Norris**

**Chief Executive Officer**

13 March 2018

**FA Conophy**

**Group Finance Director**

13 March 2018

## Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Revenue</b>	4	3,793,371	3,245,397
Cost of sales		(3,297,142)	(2,817,350)
<b>Gross profit</b>		496,229	428,047
Administrative expenses		(390,583)	(341,668)
<b>Operating profit:</b>			
<b>Before amortisation of acquired intangibles and exceptional items</b>		105,646	86,379
Amortisation of acquired intangibles		(225)	(710)
Exceptional items	5	1,371	1,876
<b>Operating profit</b>		106,792	87,545
Exceptional gain on disposal of an investment property	5	4,320	-
Exceptional loss on disposal of a subsidiary	5	-	(522)
Finance income		1,521	1,629
Finance costs		(938)	(1,579)
<b>Profit before tax</b>		111,695	87,073
<b>Income tax expense:</b>			
Before exceptional items		(30,030)	(23,108)
Exceptional items	5	(351)	(192)
Income tax expense	6	(30,381)	(23,300)
<b>Profit for the year</b>		81,314	63,773
<b>Attributable to:</b>			
Equity holders of the parent		81,314	63,773
<b>Profit for the year</b>		81,314	63,773
<b>Earnings per share:</b>			
- basic	7	67.3p	52.9p
- diluted	7	66.5p	52.3p

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

		2017 £'000	2016 £'000
Profit for the year		81,314	63,773
Items that may be reclassified to consolidated income statement			
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
Items not to be reclassified to consolidated income statement:			
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
<b>Non-current assets</b>			
Property, plant and equipment		77,904	63,020
Investment property		-	10,033
Intangible assets		80,335	76,285
Investment in associate		56	55
Deferred income tax asset	6d	9,063	10,537
		167,358	159,930

<b>Current assets</b>			
Inventories		69,289	44,015
Trade and other receivables		835,446	740,371
Prepayments		59,679	58,959
Accrued income		102,922	80,554
Derivative financial instruments		8,209	8,127
Current asset investments		-	30,000
Cash and short-term deposits		206,605	118,676
		1,282,150	1,080,702
<b>Total assets</b>		<b>1,449,508</b>	<b>1,240,632</b>
<b>Current liabilities</b>			
Trade and other payables		791,980	679,538
Deferred income		113,875	102,112
Financial liabilities		3,755	2,352
Derivative financial instruments		1,196	273
Income tax payable		28,422	17,410
Provisions		1,681	3,075
		940,909	804,760
<b>Non-current liabilities</b>			
Financial liabilities		11,663	1,832
Provisions		7,599	5,732
Deferred income tax liabilities	6d	477	341
		19,739	7,905
<b>Total liabilities</b>		<b>960,648</b>	<b>812,665</b>
<b>Net assets</b>		<b>488,860</b>	<b>427,967</b>
<b>Capital and reserves</b>			
Issued share capital		9,299	9,299
Share premium		3,913	3,913
Capital redemption reserve		74,957	74,957
Own shares held		(11,360)	(12,115)
Translation and hedging reserves		27,859	22,685

Retained earnings		<b>384,178</b>	329,214
<b>Shareholders' equity</b>		<b>488,846</b>	427,953
Non-controlling interests		<b>14</b>	14
<b>Total equity</b>		<b>488,860</b>	427,967

Approved by the Board on 13 March 2018

**MJ Norris**  
**Chief Executive Officer**  
13 March 2018

**FA Conophy**  
**Group Finance Director**  
13 March 2018

### Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	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			
<b>At 1 January 2017</b>	<b>9,299</b>	<b>3,913</b>	<b>74,957</b>	<b>(12,115)</b>	<b>22,685</b>	<b>329,214</b>	<b>427,953</b>	<b>14</b>	<b>427,967</b>
Profit for the year	-	-	-	-	-	<b>81,314</b>	<b>81,314</b>	-	<b>81,314</b>
Other comprehensive income	-	-	-	-	<b>5,174</b>	<b>(668)</b>	<b>4,506</b>	-	<b>4,506</b>
Total comprehensive income	-	-	-	-	<b>5,174</b>	<b>80,646</b>	<b>85,820</b>	-	<b>85,820</b>
Cost of share-based payments	-	-	-	-	-	<b>6,200</b>	<b>6,200</b>	-	<b>6,200</b>
Tax on share-based payments	-	-	-	-	-	<b>1,619</b>	<b>1,619</b>	-	<b>1,619</b>
Exercise of options	-	-	-	<b>9,613</b>	-	<b>(6,389)</b>	<b>3,224</b>	-	<b>3,224</b>
Purchase of own shares	-	-	-	<b>(8,858)</b>	-	-	<b>(8,858)</b>	-	<b>(8,858)</b>

Equity dividends	-	-	-	-	-	(27,112)	(27,112)	-	(27,112)
<b>At 31 December 2017</b>	<b>9,299</b>	<b>3,913</b>	<b>74,957</b>	<b>(11,360)</b>	<b>27,859</b>	<b>384,178</b>	<b>488,846</b>	<b>14</b>	<b>488,860</b>
<b>At 1 January 2016</b>	<b>9,297</b>	<b>3,830</b>	<b>74,957</b>	<b>(10,571)</b>	<b>(11,161)</b>	<b>295,086</b>	<b>361,438</b>	<b>12</b>	<b>361,450</b>
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)
<b>At 31 December 2016</b>	<b>9,299</b>	<b>3,913</b>	<b>74,957</b>	<b>(12,115)</b>	<b>22,685</b>	<b>329,214</b>	<b>427,953</b>	<b>14</b>	<b>427,967</b>

### Consolidated Cash Flow Statement

For the year ended 31 December 2017

	2017 £'000	2016 £'000
<b>Operating activities</b>		
Profit before tax	111,695	87,073
Net finance income	(583)	(50)
Depreciation of property, plant and equipment	16,384	15,631
Depreciation of investment property	91	227

Amortisation of intangible assets	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	(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
<b>Cash generated from operations</b>	<b>120,988</b>	<b>82,945</b>
Income taxes paid	(14,881)	(14,711)
<b>Net cash flow from operating activities</b>	<b>106,107</b>	<b>68,234</b>
<b>Investing activities</b>		
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	(30,439)	(17,641)
Purchases of intangible assets	(9,618)	(4,943)
<b>Net cash flow from investing activities</b>	<b>834</b>	<b>(36,162)</b>
<b>Financing activities</b>		
Interest paid	(938)	(1,579)
Dividends paid to equity shareholders of the parent	(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	<b>10,591</b>	-
<b>Net cash flow from financing activities</b>	<b>(22,239)</b>	(37,822)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>84,702</b>	(5,750)
Effect of exchange rates on cash and cash equivalents	<b>3,221</b>	12,746
Cash and cash equivalents at the beginning of the year	<b>118,676</b>	111,680
<b>Cash and cash equivalents at the year end</b>	<b>206,599</b>	118,676

## **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 judgment 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 judgment, 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.

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	Estimated adjustments due to adoption of	<b>Estimated opening balance at 1 January</b>

	£ '000	IFRS 15 £ '000	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) 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 summary financial information set out above does not constitute the Group's statutory Consolidated Financial Statements for the years ended 31 December 2017 or 2016. Statutory Consolidated Financial Statements for the Group for the year ended 31 December 2016, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies and those for 2017 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of any emphasis without qualifying their opinion and (iii)

did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The summary financial information for the year ended 31 December 2017 has been prepared by the directors based upon the results and position that are reflected in the Consolidated Financial Statements of the Group.

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 Computacenter plc and its subsidiaries as at 31 December each year. The Financial Statements of subsidiaries are prepared for the same reporting year as the Parent Company, using existing 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. 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 teams 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.

### **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. Adjusted<sup>1</sup> 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 in the Group Finance Director's Review included within this announcement, 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 to the summary financial information included within this announcement, 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 reflect the market conditions as at the balance sheet date.

## **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.

## **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.

## **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. 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 7 to the summary financial information within this announcement).

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.

### **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.

### **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 note 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 adjusted<sup>1</sup> 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 5 to this summary financial information included within this announcement.

### **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.

#### 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 adjusted<sup>1</sup> 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 announcement 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

	<b>UK £'000</b>	<b>Germany £'000</b>	<b>France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Revenue</b>					
<b>Supply Chain revenue</b>	990,578	1,200,871	405,139	39,606	<b>2,636,194</b>
<b>Services revenue</b>					
Professional Services revenue	147,549	151,306	18,120	2,181	<b>319,156</b>
Managed Services revenue	358,237	372,823	86,684	20,277	<b>838,021</b>
Total Services revenue	505,786	524,129	104,804	22,458	<b>1,157,177</b>
<b>Total revenue</b>	<b>1,496,364</b>	<b>1,725,000</b>	<b>509,943</b>	<b>62,064</b>	<b>3,793,371</b>
<b>Results</b>					

Adjusted <sup>1</sup> gross profit	214,454	219,149	53,539	8,928	<b>496,070</b>
Adjusted <sup>1</sup> administrative expenses	(176,178)	(158,855)	(47,931)	(7,619)	<b>(390,583)</b>
Adjusted <sup>1</sup> operating profit	38,276	60,294	5,608	1,309	<b>105,487</b>
Adjusted <sup>1</sup> net interest	522	424	(193)	(11)	<b>742</b>
Adjusted <sup>1</sup> profit before tax	38,798	60,718	5,415	1,298	<b>106,229</b>
Exceptional items:					
- onerous contracts provision for future losses	-	1,371	-	-	<b>1,371</b>
- exceptional losses on redundancy and other restructuring costs	-	-	-	-	-
- gain on reversal of fair value adjustments	-	-	-	-	-
Total exceptional items	-	1,371	-	-	<b>1,371</b>
Exceptional loss on disposal of a subsidiary	-	-	-	-	-
Exceptional gain on disposal of an investment property	4,320	-	-	-	<b>4,320</b>
Amortisation of acquired intangibles	-	(133)	-	(92)	<b>(225)</b>
Statutory profit before tax	43,118	61,956	5,415	1,206	<b>111,695</b>

The reconciliation for adjusted<sup>1</sup> operating profit to statutory operating profit as disclosed in the Consolidated Income Statement is as follows:

	<b>UK £'000</b>	<b>Germany £'000</b>	<b>France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Adjusted<sup>1</sup> operating profit</b>	38,276	60,294	5,608	1,309	<b>105,487</b>
Add-back interest on CSF	2	157	-	-	<b>159</b>
Amortisation of acquired intangibles	-	(133)	-	(92)	<b>(225)</b>
Exceptional items	-	1,371	-	-	<b>1,371</b>
<b>Statutory operating profit</b>	38,278	61,689	5,608	1,217	<b>106,792</b>
<b>Other segment information</b>					
Property, plant and equipment	42,034	27,920	6,262	1,688	<b>77,904</b>
Investment property	-	-	-	-	-
Intangible assets	56,352	21,953	28	2,002	<b>80,335</b>
Capital expenditure:					
Property, plant and equipment	10,520	18,910	949	60	<b>30,439</b>
Software	8,494	1,110	9	5	<b>9,618</b>

Depreciation of property, plant and equipment	7,866	6,625	1,736	157	<b>16,384</b>
Depreciation of investment property	91	-	-	-	<b>91</b>
Amortisation of software	11,104	1,110	21	2	<b>12,237</b>
Share-based payments	5,068	1,211	(79)	-	<b>6,200</b>

Year ended 31 December 2016

	<b>Restated UK £'000</b>	<b>Germany £'000</b>	<b>Restated France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Revenue</b>					
<b>Supply Chain revenue</b>	899,822	934,214	335,612	37,907	<b>2,207,555</b>
<b>Services revenue</b>					
Professional Services revenue	118,636	138,218	15,470	1,868	<b>274,192</b>
Managed Services revenue	373,292	319,744	53,627	16,987	<b>763,650</b>
Reclassification of Managed Services revenue	(15,820)	-	15,820	-	-
Managed Services revenue	357,472	319,744	69,447	16,987	<b>763,650</b>
Total Services revenue	476,108	457,962	84,917	18,855	<b>1,037,842</b>
<b>Total revenue</b>	<b>1,375,930</b>	<b>1,392,176</b>	<b>420,529</b>	<b>56,762</b>	<b>3,245,397</b>
<b>Results</b>					
Adjusted <sup>1</sup> gross profit	202,556	175,273	42,520	7,479	<b>427,828</b>
Adjusted <sup>1</sup> administrative expenses	(155,812)	(139,683)	(39,649)	(6,524)	<b>(341,668)</b>
Adjusted <sup>1</sup> operating profit	46,744	35,590	2,871	955	<b>86,160</b>
Adjusted <sup>1</sup> net interest	717	(212)	(208)	(28)	<b>269</b>
Adjusted <sup>1</sup> profit before tax	47,461	35,378	2,663	927	<b>86,429</b>
Exceptional items:					
- onerous contracts provision for future losses	-	-	-	-	-
- exceptional losses on redundancy and other restructuring costs	-	-	(1,169)	-	<b>(1,169)</b>
- gain on reversal of fair value adjustments	-	3,045	-	-	<b>3,045</b>
Total exceptional items	-	3,045	(1,169)	-	<b>1,876</b>
Exceptional loss on disposal of a subsidiary	(522)	-	-	-	<b>(522)</b>
Amortisation of acquired intangibles	-	(627)	-	(83)	<b>(710)</b>
Statutory profit before tax	46,939	37,796	1,494	844	<b>87,073</b>

The reconciliation for adjusted<sup>1</sup> operating profit to statutory operating profit as disclosed in the Consolidated

Income Statement is as follows:

	<b>UK £'000</b>	<b>Germany £'000</b>	<b>France £'000</b>	<b>Belgium £'000</b>	<b>Total £'000</b>
<b>Adjusted<sup>1</sup> operating profit</b>	46,744	35,590	2,871	955	<b>86,160</b>
Add-back interest on CSF	9	210	-	-	<b>219</b>
Amortisation of acquired intangibles	-	(627)	-	(83)	<b>(710)</b>
Exceptional items	-	3,045	(1,169)	-	<b>1,876</b>
<b>Statutory operating profit</b>	<b>46,753</b>	<b>38,218</b>	<b>1,702</b>	<b>872</b>	<b>87,545</b>
<b>Other segment information</b>					
Property, plant and equipment	39,636	14,825	6,830	1,729	<b>63,020</b>
Investment property	10,033	-	-	-	<b>10,033</b>
Intangible assets	54,817	19,416	39	2,013	<b>76,285</b>
Capital expenditure:					
Property, plant and equipment	12,076	5,026	501	38	<b>17,641</b>
Software	3,179	1,754	9	1	<b>4,943</b>
Depreciation of property, plant and equipment	6,966	6,681	1,820	164	<b>15,631</b>
Depreciation of investment property	227	-	-	-	<b>227</b>
Amortisation of software	11,536	846	29	2	<b>12,413</b>
Share-based payments	2,702	607	36	-	<b>3,345</b>

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.

## 5 Exceptional items

	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Operating profit</b>		
Redundancy and other restructuring costs	-	(1,169)
Onerous contracts	<b>1,371</b>	-
Gain on reversal of fair value adjustments	-	3,045

	<b>1,371</b>	1,876
Gain on disposal of an investment property	<b>4,320</b>	-
Loss on disposal of a subsidiary	-	(522)
Exceptional items before taxation	<b>5,691</b>	1,354
<b>Income tax</b>		
Tax on onerous contracts included in operating profit	<b>(351)</b>	-
Tax on gain on reversal of fair value adjustments	-	(192)
Exceptional items after taxation	<b>5,340</b>	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.

## 6 Income tax

a) Tax on profit from ordinary activities

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>

<b>Tax charged in the consolidated income statement</b>		
<b>Current income tax</b>		
UK corporation tax	<b>11,995</b>	12,992
Foreign tax		
- operating results before exceptional items	<b>14,661</b>	7,702
- exceptional items	<b>351</b>	-
Total foreign tax	<b>15,012</b>	7,702
Adjustments in respect of prior years	-	(170)
Total current income tax	<b>27,007</b>	20,524
<b>Deferred tax</b>		
Operating results before exceptional items:		
- origination and reversal of temporary differences	<b>3,374</b>	2,944
- adjustments in respect of prior years	-	(360)
Exceptional items	-	192
Total deferred tax	<b>3,374</b>	2,776
<b>Tax charge in the consolidated income statement</b>	<b>30,381</b>	23,300

b) Reconciliation of the total tax charge

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Accounting profit before income tax	<b>111,695</b>	87,073
At the UK standard rate of corporation tax of 19.25 per cent (2016: 20 per cent)	<b>21,501</b>	17,415
Expenses not deductible for tax purposes	<b>675</b>	962
Non-deductible element of share-based payment charge	<b>1,297</b>	665
Adjustments in respect of current income tax of previous years	<b>(58)</b>	(519)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>7,050</b>	3,106
Other differences	<b>(683)</b>	71
Effect of changes in tax rate on deferred tax	-	170
Overseas tax not based on earnings	<b>1,526</b>	1,152
Tax effect of income not taxable in determining taxable profit	<b>(832)</b>	-

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)	<b>30,381</b>	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.

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
<b>Deferred income tax liabilities</b>				
Accelerated capital allowances	-	-	-	(1,197)
Revaluations of foreign exchange contracts to fair value	<b>1,293</b>	559	<b>194</b>	189
Amortisation of intangibles	<b>506</b>	554	<b>(49)</b>	(117)
Gross deferred income tax liabilities	<b>1,799</b>	1,113		
<b>Deferred income tax assets</b>				
Relief on share option gains	<b>2,868</b>	1,797	<b>(1,072)</b>	793
Other temporary differences	<b>4,192</b>	3,244	<b>1,164</b>	396
Revaluations of foreign exchange contracts to fair value	<b>659</b>	308	<b>(157)</b>	132
Losses available for offset against future taxable income	<b>2,666</b>	5,960	<b>3,294</b>	2,580
Gross deferred income tax assets	<b>10,385</b>	11,309		
Deferred income tax charge			<b>3,374</b>	2,776
Net deferred income tax assets	<b>8,586</b>	10,196		
<b>Disclosed on the consolidated balance sheet</b>				
Deferred income tax assets	<b>9,063</b>	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.

## 7 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

## 8 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)	<b>18,151</b>	-
Interim dividend for 2017: 7.4 pence (2016: 7.2 pence)	<b>8,961</b>	8,696
	<b>27,112</b>	26,802
<b>Proposed (not recognised as a liability as at 31 December)</b>		
Equity dividends on Ordinary Shares:		
Final dividend for 2017: 18.7 pence (2016: 15.0 pence)	<b>21,344</b>	18,399

## 9 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	<b>84,708</b>	-	<b>3,221</b>	<b>206,605</b>
Bank overdraft	-	<b>(6)</b>	-	-	<b>(6)</b>
Cash and cash equivalents	118,676	<b>84,702</b>	-	<b>3,221</b>	<b>206,599</b>
Current asset investments	30,000	<b>(30,000)</b>	-	-	-
Bank loans	(294)	<b>(10,297)</b>	-	<b>(76)</b>	<b>(10,667)</b>
<b>Net funds excluding CSF</b>	148,382	<b>44,405</b>	-	<b>3,145</b>	<b>195,932</b>
CSF leases	(3,477)	<b>(1,486)</b>	<b>366</b>	<b>(148)</b>	<b>(4,745)</b>
Customer-specific other loans	(413)	<b>338</b>	-	<b>75</b>	-
<b>Total CSF</b>	<b>(3,890)</b>	<b>(1,148)</b>	<b>366</b>	<b>(73)</b>	<b>(4,745)</b>
<b>Net funds</b>	144,492	<b>43,257</b>	<b>366</b>	<b>3,072</b>	<b>191,187</b>

	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)
<b>Net funds excluding CSF</b>	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)
<b>Total CSF</b>	(5,887)	2,268	377	(648)	(3,890)
<b>Net funds</b>	120,788	11,240	377	12,087	144,492

### 10 Related party transactions

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

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

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:

	<b>Sales to related parties £'000</b>	<b>Purchases from related parties £'000</b>	<b>Amounts owed to related parties £'000</b>
Biomni Limited	2	867	-
Triage Services Limited	-	-	-
	<b>2</b>	<b>867</b>	-

### 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. A summary of the compensation of key management personnel is provided below:

	<b>2017</b>	<b>2016</b>
--	-------------	-------------

	<b>£'000</b>	<b>£'000</b>
Short-term employee benefits	<b>1,842</b>	1,407
Social security costs	<b>383</b>	604
Share-based payment transactions	<b>1,563</b>	1,565
Pension costs	<b>51</b>	19
Total compensation paid to key management personnel	<b>3,839</b>	3,595

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