Annual report and accounts

COMPUTACENTER PLC
2007

Contents

Computacenter plc

'The strong performance in the UK in the second half of last year and the gains made throughout the course of 2007 in Germany and France, allow us to look to the future with confidence. We believe that we have made, and are continuing to make, strong progress.'

MIKE NORRIS CHIEF EXECUTIVE OFFICER

Highlights

FINANCIAL HIGHLIGHTS

- Group revenues up 4.8% to £2.38 billion (2006: £2.27 billion)
- Adjusted* profit before tax up 12.3% to £42.7 million (2006: £38.0 million)
- Adjusted* diluted earnings per share up 34.1% to 18.5p (2006: 13.8p)
- Final dividend of 5.5p per share, total dividend 8.0p (2006: 7.5p)
- Net borrowings before customer-specific financing of £16.2 million (2006: net funds of £29.4 million)

STATUTORY PERFORMANCE

- Profit before tax up 27.7% to £42.1 million (2006: £32.9 million)
- Diluted earnings per share up 67.0% to 18.2p (2006: 10.9p)
- Net borrowings of £79.8 million (2006: net funds of £10.8 million)

OPERATING HIGHLIGHTS

- First Group revenue growth since 2003
- UK business enters 2008 with a record contract base and a strong pipeline of new business across market sectors
- Best ever performance from Computacenter Germany since acquisition with growth across both product and services
- Significant progress achieved in France driven by key management initiatives

* Adjusted for exceptional items and amortisation of acquired intangibles.

Strategy and operations

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

OUR CLIENTS WORKING TOGETHER
IN 2007 WE WON NEW BUSINESS WITH ORGANISATIONS INCLUDING:

BDO Atrio AuditorsAccountantsAdvisors

BMW Group

B BRAUN SHARING EXPERTISE

OUR STRATEGY

To ensure long-term earnings growth, Computacenter is focused on:

- Accelerating the growth of our contractual services business.
- Broadening the range and depth of our service activities.
- Extending our presence in growth markets, and in particular the medium-sized business segment.
- Improving the efficiency of our operations by deploying shared services facilities across our customer base.
- Improving our competitiveness by reducing the cost of sale in our product supply business.

WHAT WE OFFER

MANAGED AND SUPPORT SERVICES

We can take contractual responsibility for the management of our customers' IT infrastructures, to reduce their costs and improve service levels. We also provide support services such as installation and maintenance of desktops, datacentres and networks, user help-desk support and disaster recovery.

TECHNOLOGY SOLUTIONS

We provide professional services, including integration and project management expertise, and expert advice across a range of platforms and technologies. We cover all key areas of the IT infrastructure, from desktop to datacentre.

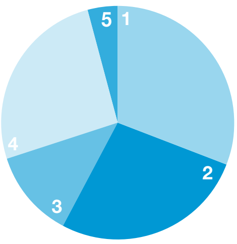
PRODUCT SUPPLY

We source, configure and deploy hardware and software from a wide portfolio of leading vendors. We also provide procurement consulting, software licence management, technology disposal and asset management services.

SOURCE OF REVENUES

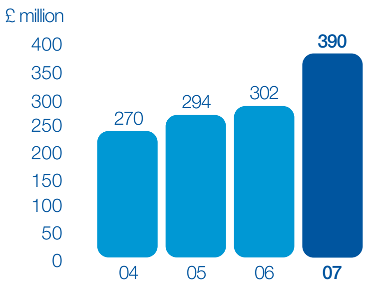
Computacenter's core revenues come from providing services, networking and enterprise technologies and personal systems across Europe's three principle IT services markets. Our growing contract base, comprising terms typically of five years, is our most predictable source of revenue and profit.

GROUP REVENUE BY BUSINESS TYPE

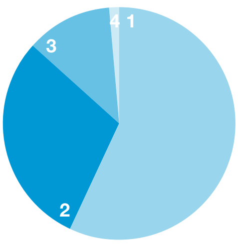


1 31% PERSONAL SYSTEMS
2 27% NETWORK, SERVER & STORAGE
3 12% SOFTWARE
4 26% SERVICES
5 4% 3RD PARTY SERVICES

GROUP CONTRACT BASE GROWTH



GROUP REVENUE BY COUNTRY



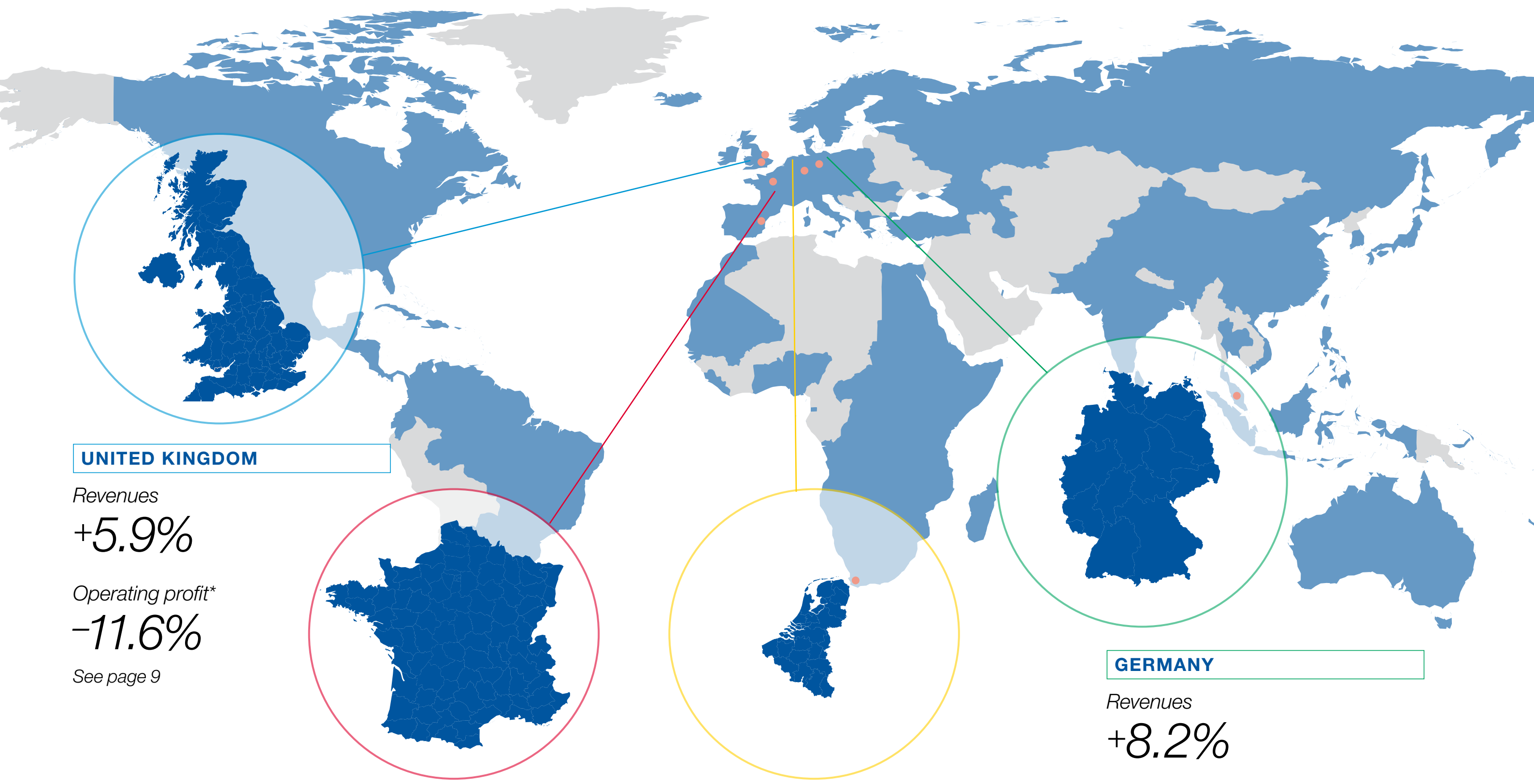
1 57% UK
2 30% GERMANY
3 12% FRANCE
4 1% BENELUX

Company overview

International operations

Computacenter operates in the UK, Germany, France, and Benelux, as well as providing trans-national services. Its activities are supported by service facilities in the UK, Germany, Spain, South Africa and Malaysia.

OUR LOCATIONS: UK ABERDEEN, BELFAST, BIRMINGHAM, BRISTOL, CARDIFF, EDINBURGH, ESSEX, HATFIELD, LEEDS, LONDON, MANCHESTER, ESSEN, FRANKFURT, HAMBURG, HANOVER, HEILBRONN, KASSEL, KERPEN, KIEL, LEIPZIG, LUDWIGSHAFEN, MUNICH, NUREMBERG, RATINGEN, NICE, ORLÉANS, PARIS, PAU, RENNES, ROUEN, STRASBOURG, TOULOUSE, ROISSY, BENELUX LUXEMBOURG, SCHIPHOL-RIJK, ZAVENTEM.



UNITED KINGDOM

Revenues

+5.9%

*Operating profit**

–11.6%

See page 9

FRANCE

Revenues

–7.0%

Operating loss reduced*

–73.0%

See page 12

BENELUX

Revenues

+4.1%

Operating loss reduced*

–77.0%

See page 13

GERMANY

Revenues

+8.2%

*Operating profit**

+303.9%

See page 11

Computacenter operations and partnerships
Computacenter service facilities

* Adjusted operating profit is stated after charging finance costs on customer-specific financing and prior to exceptional items and amortisation of acquired intangibles.

HIGHLIGHTS BY COUNTRY

UNITED KINGDOM

HIGHLIGHTS

- REVENUES INCREASED BY 5.9% TO £1.36 BILLION (2006: £1.28 BILLION)
- ADJUSTED* OPERATING PROFIT DECLINED TO £33.1 MILLION (2006: £37.4 MILLION) DUE IN PART TO 2006 CONTRACT LOSSES
- 8.5% CONTRACT BASE GROWTH, INCLUDING EMBEDDED PRODUCT SUPPLY
- NEW BUSINESS PIPELINE MORE THAN COMPENSATES FOR 2006 LOSSES

FRANCE

HIGHLIGHTS

- REVENUES DECLINED BY 7.0% TO £285.7 MILLION (2006: £307.3 MILLION) DUE TO CHALLENGING PRODUCT MARKET
- SIGNIFICANT OPERATING LOSS REDUCTION OF 73.0% TO £1.8 MILLION (2006: £6.5 MILLION PRIOR TO EXCEPTIONAL CHARGES OF £5.0 MILLION)
- 19% INCREASE IN REVENUE FROM MAINTENANCE BUSINESS
- 24.1% INCREASE IN SERVICES GROSS PROFIT

BENELUX

HIGHLIGHTS

- REVENUES INCREASED BY 4.1% TO £27.6 MILLION (2006: £26.5 MILLION)
- OPERATING LOSS REDUCED 77.0% TO £44,000 (2006: £191,000)
- IMPROVED PERFORMANCE FROM PRODUCT SUPPLY AND MANAGED SERVICES

GERMANY

HIGHLIGHTS

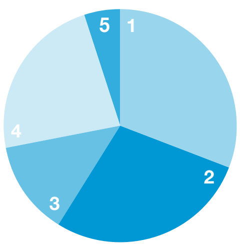
- REVENUES INCREASED BY 8.2% TO £708.6 MILLION (2006: £654.7 MILLION)
- RECORD PROFIT PERFORMANCE, WITH ADJUSTED* OPERATING PROFIT GROWTH OF 303.9% TO £10.4 MILLION (2006: £2.6 MILLION)
- 22.8% MANAGED SERVICES CONTRACT BASE GROWTH, INCLUDING EMBEDDED PRODUCT SUPPLY
- STRONG GROWTH OF 23.7% IN SECURITY PRODUCT SALES REFLECTS CUSTOMERS' INCREASED SECURITY CONCERNS

MILTON KEYNES, NOTTINGHAM, READING, WARRINGTON, WATFORD. GERMANY AACHEN, BERLIN, BIELEFELD, COLOGNE, COTTBUS, ERFURT, ROSTOCK, SAARBRÜCKEN, STUTTGART, WOLFSBURG. FRANCE ANTONY, BORDEAUX, DIJON, GRENOBLE, LILLE, LYON, MARSEILLE, NANTES,

Revenue profiles differ across geographies, with services comprising a larger proportion of sales in the UK and Germany than in France and Benelux, where personal systems sales are dominant.

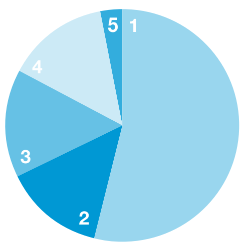
GEOGRAPHICAL REVENUE BY BUSINESS TYPE

UNITED KINGDOM



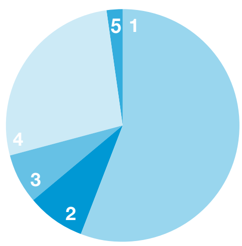
1 31% PERSONAL SYSTEMS
2 28% NETWORK, SERVER, STORAGE
3 13% SOFTWARE
4 23% SERVICES
5 5% 3RD PARTY SERVICES

FRANCE



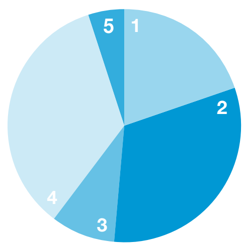
1 54% PERSONAL SYSTEMS
2 14% NETWORK, SERVER, STORAGE
3 15% SOFTWARE
4 14% SERVICES
5 3% 3RD PARTY SERVICES

BENELUX



1 56% PERSONAL SYSTEMS
2 8% NETWORK, SERVER, STORAGE
3 7% SOFTWARE
4 27% SERVICES
5 2% 3RD PARTY SERVICES

GERMANY



1 20% PERSONAL SYSTEMS
2 31% NETWORK, SERVER, STORAGE
3 9% SOFTWARE
4 35% SERVICES
5 5% 3RD PARTY SERVICES

Executive summary

MIKE NORRIS
CHIEF EXECUTIVE OFFICER

There were many encouraging aspects to Computacenter's performance in 2007. Most significantly, the Group delivered a 34.1% increase in adjusted* diluted earnings per share (adjusted* EPS) to 18.5p (2006: 13.8p). This was underpinned by a strong underlying improvement in adjusted* profit before tax, up 12.3% to £42.7 million (2006: £38.0 million). The main contributors to profit growth were our European operations and Germany in particular. Overall Group sales increased 4.8% to £2.38 billion (2006: £2.27 billion). Even allowing for the modest impact of acquisitions, this is the first time in several years that Computacenter has achieved revenue growth, and reflects the success that we are having in multiple market sectors.

On a statutory basis, Group profit before tax increased 27.7% to £42.1 million (2006: £32.9 million) and diluted earnings per share grew 67.0% to 18.2p (2006: 10.9p).

Efficient use of capital is central to our strategy of delivering shareholder value. It was with this in mind that we returned £74.4 million of cash to shareholders in 2006 and, more recently, have begun to use the strength of our balance sheet to purchase shares in the market for subsequent cancellation. This programme began in November and by year-end, 1.5 million shares, representing 0.9% of the issued share capital, had been purchased for this purpose. This was in addition to the purchase of 4.3 million shares by the Computacenter Employee Share Ownership Plan to satisfy awards made under the Group's share schemes. The repurchase programme has continued into 2008 and as at 10 March a further 3.5 million shares had been purchased.

The strong balance sheet continues to serve Computacenter well. At year-end, net borrowings prior to customer-specific financing were £16.2 million, after cash acquisition expenses during the year of £32.6 million and £11.3 million spent on share purchases. The Board is pleased to recommend a final dividend of 5.5p per share, bringing the total dividend for the year to 8.0p (2006: 7.5p). The increased dividend is consistent with our stated policy of maintaining the level of dividend cover within the target range of 2–2.5x. The dividend will be paid on 12 June 2008 to shareholders on the register as at 16 May 2008.

Our performance in Germany, after a lacklustre 2006, was the highlight of the year. Adjusted* operating profit grew substantially, from £2.6 million in 2006 to £10.4 million, partly due to a substantial reduction in losses associated with two shared datacentre services contracts announced last year and partly due to underlying improvements in the business. This is a record performance for Computacenter Germany. Undoubtedly we were assisted by stronger market conditions, but this should in no way detract from the achievements of the German management team, who have been particularly successful in extending our penetration of the datacentre and networking markets. There is still scope to improve the service margins in our German business and the prospects for further growth are encouraging.

The French performance also improved strongly in 2007, with operating losses reducing to £1.8 million (2006: £6.5 million, prior to £5.0 million of exceptional charges). Computacenter France remains heavily dependent upon traditional lines of business, and in particular, the reselling of desktop and laptop systems. Nonetheless, our efforts to increase the services component of the business mix there are bearing fruit, with services share of revenue growing from 11.1% in 2006 to 12.8% in 2007. The management team in France has been strengthened considerably in recent years and the benefits of this are increasingly evident. We expect the performance of Computacenter France to continue to improve, although the business remains heavily dependent on a small number of key contracts and further effort is needed to broaden the customer base.

There were many encouraging aspects to Computacenter's performance in 2007. Most significantly, the Group delivered a 34.1% increase in adjusted* diluted earnings per share.

There is also encouragement to be derived from the UK performance. Whilst adjusted* operating profit decreased to £33.1 million (2006: £37.4 million), this conceals some significant underlying improvements. Second half performance was considerably better than the first half and also ahead of the comparable period in 2006. This arises from the fact that we achieved substantial services contract base growth during the second half of the year, enabling us to recover from the 2006 contract losses and to enter 2008 with a considerably stronger pipeline of business.

Our strategy in the UK has led us to focus increasingly on datacentre opportunities, and we made useful further progress here in 2007. The acquisition of Digica was intended to accelerate this development and this business is performing well. In 2007, sales of personal systems accounted for only 31% of our UK revenues, down from over 40% in 2004, demonstrating just how much progress Computacenter has made in shifting its business mix towards the less-commoditised end of the market.

As stated previously, it is not possible to draw any meaningful conclusions about current trading until the first quarter has been completed. Like many companies we are concerned that the current credit crisis will have a negative effect on market conditions, however to date there is no obvious sign of this materialising. The strong performance in the UK in the second half of last year and the gains made throughout the course of 2007 in Germany and France, allow us to look to the future with confidence. We have for some years been pursuing a strategy of strengthening our services capabilities, restructuring the cost base of our product supply business, increasing our mid-market penetration, and upgrading our sales capabilities. We believe that we have made, and are continuing to make, strong progress in all of these areas.

Due to his new commitment at Northern Rock, Ron Sandler resigned as Non-Executive Chairman and from the Computacenter Board on 18 February 2008. A search to find a permanent replacement led by our senior independent Non-Executive Director Cliff Preddy is currently in progress.

We would like to thank Ron Sandler for his contribution to Computacenter and wish him every success.

As ever, the credit for the Group's performance belongs to the staff. Their commitment and hard work throughout the year has been exemplary, and we offer them our wholehearted thanks.

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

Operating statement

CONTRACT BASE GROWTH

Excluding acquisitions, the Group's contract base grew a pleasing 15% year on year, with particularly strong UK growth in the second half of the year.

Group strategic performance

In 2007, Computacenter made further progress in each of the five strategic initiatives aimed at ensuring long-term earnings growth.

Accelerating the growth of our contractual services businesses

Our contract base, comprising contract terms typically of five years, is our most predictable source of revenue and profit. Excluding acquisitions, the Group's contract base grew a pleasing 15% year on year at constant exchange rates, with particularly strong UK growth in the second half of the year resulting in a full recovery from that operation's contract losses of 2006. A number of high-value long-term contracts were secured, including a new Group contract with BT, under which Computacenter takes responsibility for fulfilment, support and related services for BT's 112,000 global desktops across 54 countries. This is the largest services contract negotiated by Computacenter to date.

Broadening the range and depth of our services activities

Across the Group, we endeavoured to enhance our capability in those areas which command higher margins and where specialist expertise is in high demand. In particular, Computacenter sought to extend its capability and its market penetration in the enterprise service areas of networking and datacentre hosting and support. To that end, two significant developments in 2007 were the acquisition of Digica, a datacentre hosting and support company, and Allnet, a network integration and cabling company. Together, these acquisitions have added £23 million to the Group's contract base.

Extending our presence in growth markets, and in particular the medium-sized business segment

At the smaller-scale end of our client base, our push into the growing mid-market continued, particularly in the UK, where we invested an additional £4 million through the 2007 income statement, mainly in recruitment of new sales staff. We are gradually building a presence in this market, with approximately 1,000 new customers trading with us in 2007, and look forward to the return on this investment in coming years. In addition, our investment in the growing market for datacentre services yielded a number of important new managed services contracts and led to increased utilisation of our professional services staff, lowering operating costs.

Improving the efficiency of our operations by deploying shared services facilities across our customer base

We continued to focus on reducing operational costs and improving customer service through the more effective use of shared resources and tools for service delivery. In the UK we have established the Shared Services Factory (SSF), a standard set of tools, facilities and processes that ensures we deliver services that consistently meet customer requirements at low cost. One component of the SSF is our new purpose-built International Service Centre in Barcelona. Progress is being made with similar shared resource initiatives in Germany.

Improving our competitiveness by reducing the cost of sale in our product supply business

We continued to implement improved business controls relating to product purchasing and supply and to invest in our e-commerce systems in order to streamline the supply business and reduce operating costs.

DIGICA PROGRESS

Our managed datacentre and hosting business, Digica, acquired in January, performed well in H2, with revenue growth of 11.1% over H1 and an improved operating profit ahead of expectations.

UK

UK revenues grew by 5.9% to £1.36 billion (2006: £1.28 billion), driven by strong sales in the datacentre services arena and an improvement in product revenues. Adjusted* operating profit declined 11.6% to £33.1 million (2006: £37.4 million), partly due to the 2006 contract losses previously reported and the renegotiation of our relationship with BT.

Services revenues, excluding the effect of acquisitions, declined 3.5%, with professional services growth partially compensating for a decline in contractual revenues. However, a strong H2 recovery in the UK services contract base resulted in a small contract base increase for the year as a whole, which translates to an 8.5% increase in the year when taking account of product supply embedded within services contracts. We therefore enter 2008 with a business pipeline that more than compensates for the losses of 2006.

During the year, we began to see the results of our strategic initiative aimed at greater use of shared service facilities, tools and processes. Customers are increasingly choosing to broaden their relationship with Computacenter due to our ability to make cost and service commitments based on the use of repeatable processes and embedded best practice. Our investment in this area led to us achieving BSI certified accreditation to the ISO/IEC20000 standard for our centralised Service Desks, including the integrated operations of our Digica acquisition.

This shared services approach helped secure a number of managed services contracts. These include a five-year contract with Marks & Spencer worth approximately £19 million in service revenues and covering product supply and software licensing, the management of all infrastructure moves and changes, desktop and server support, managed security, asset management and technology disposals.

We enjoyed particular success in datacentre services. The strong performance in this area reported in the first half continued through the rest of the year and was a key driver of a 19% year-on-year increase, excluding the effect of acquisitions, in professional services revenues. Our server virtualisation and consolidation solutions were in particular demand due to the benefits of reduced costs and increased manageability, as well as related environmental benefits, which include a significantly reduced power consumption and carbon footprint. Indeed we won a Supplier Innovation Award from BT for our work on virtualising and consolidating a number of their UK datacentres, through which we cut their power consumption by 5,000KW and their carbon footprint by 85%, as well as reducing their operational expenditure considerably.

In the managed datacentre segment we saw some recovery following a disappointing start to the year. Our managed datacentre and hosting business, Digica, acquired in January, performed well in H2, with revenue growth of 11.1% over H1 and an improved operating profit ahead of expectations.

Our datacentre services were in particular demand in the financial services and telecoms sectors. An important technology solutions win was with Norwich Union, where we worked with the customer to consolidate and virtualise its environment at two datacentres, as well as deploying a new server operating

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

Operating statement

STRONGER UK PIPELINE

UK contract base growth in H2 means we enter 2008 with a UK business pipeline that more than compensates for the losses of 2006.

system and hardware. The project has helped simplify IT management and reduce server provisioning time from six weeks to less than one. We also secured a contract with a major financial organisation for a UNIX server architecture redesign and infrastructure replacement, enabling the customer to expedite its deployment of new customer products and so reduce time to market.

The acquisition of Allnet in April, a leading provider of network integration and structured cabling services, has doubled the size of our business in this sector and we believe will enable us to win increased market share in the high-growth areas of converged IP based networks and unified communications projects.

The success of our continuing investment in our software services business led to 18.7% software revenue growth. In particular, we captured an increased share of the high value Microsoft licensing market, with our UK market share reaching a record 9%. A significant win was with a major bank, for which we will be providing managed procurement and software licence management services. Looking forward, we expect to see further growth and increased return from our software business.

Growth in technology solutions projects was a significant driver of related product sales, where we saw 4.0% growth in sales of networking, server and storage technology. Sales of personal systems remained broadly flat.

There were indications of customers turning away from purchasing direct from vendors in favour of vendor-independent services and solutions providers such as ourselves. Whilst we welcome this as beneficial to organisations looking for long-term value and service flexibility from their IT partner, it is still too early to say whether this indicates a long-term trend.

Our continuing success in implementing improved business controls relating to product purchasing and supply contributed towards an increase in product gross margins from end-user sales. We also continued to lower the cost of sale through use of a lighter-touch sales model for product-only clients, enabled through our deployment of improved e-commerce systems.

Significant product supply wins include technology benchmarking and desktop supply for Leeds City Council, which also includes disposals management via RDC. In addition, we secured a nationwide technology refresh contract with construction company Morgan Sindall, covering supply, asseting, configuration and installation services.

Our remarketing and recycling arm, RDC, had a good year with a strong finish. Increased business interest in environmental services contributed towards a three-fold growth in profits, driven by a 22% increase in service revenues and 36% growth in remarketing revenues.

RECORD GERMAN PERFORMANCE

In Germany we enjoyed the best profit performance since the business's acquisition in 2003.

Continuing the trend of recent years, our UK trade distribution arm, CCD, which operates in a particularly competitive market, saw sales decline 6.7%. However our focus on margin generation continues to bear fruit, leading to an increase in gross profit.

The UK business enters 2008 with a record services contract base and a strong pipeline of new business. This provides a firm foundation on which to build revenue and profit growth in 2008 and beyond.

Germany

Computacenter Germany enjoyed strong growth, with revenues increasing 8.2% to £708.6 million (2006: £654.7 million). More significantly, adjusted* operating profit grew markedly to £10.4 million (2006: £2.6 million), albeit aided by a substantial reduction in the losses from the two shared datacentre services contracts. This is, by some distance, the best profit performance since Computacenter acquired the CompuNet business from GE at the beginning of 2003.

Revenue growth was across the German business. Services revenues increased by 13.1% and product revenues by 5.8%. This meant our business mix was broadly unchanged, with around 35% of our revenues coming from services, and 65% from products.

Growth came from the return on the significant investment we have made in services and solutions over the last few years, particularly on developing our managed services and consulting businesses. Our managed services contract base grew by 22.8% in local currency, including contracts with embedded product supply, and our professional services revenues grew 9.5%, resulting in a very pleasing 39.7% revenue growth over just two years. Networking and datacentre growth also helped boost product sales through the related supply of servers and other enterprise products.

In addition, we are seeing the benefits of a significant restructure of our sales organisation, which has led to a more diversified customer base and enabled us to grow business in the medium-sized enterprise sector.

An upturn in the German IT market, driven by general economic factors, further helped financial performance. In addition, we benefited from a customer trend away from contracting out comprehensive outsourcing deals to large enterprise service providers and towards the kind of selective managed services contracts in which we specialise.

Growth was achieved with no significant impact on indirect expenses, enabling the additional volumes and margins to contribute directly to profit. This was aided by the implementation of new cost control mechanisms during 2006.

We are increasingly recognised in the German services market, with IDC listing us as one of the country's top ten IT services providers. Significant wins included a three-year contract with BMW Group for the supply and maintenance of all network

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

Operating statement

FRENCH LOSSES REDUCE

Improved profit performance across services and products in France contributed to a 73.0% fall in the French operating loss.

equipment in Germany and a datacentre outsourcing contract with Immobilienscout24, which operates Germany's largest Internet real estate marketplace. We also secured a four-year managed services contract with leading chemicals manufacturer Solvay, in which we take responsibility for managing the company's desktops and Wintel servers, as well as providing helpdesk services across Germany, Austria and Switzerland.

Service margins continued to be under pressure and we began a number of initiatives in the first half to improve this area. As a result, we saw significant margin improvement towards the end of 2007 and expect these initiatives to bear further fruit in years to come.

Our product business enjoyed growth in all areas in 2007. Performance was particularly strong in our security products business, which grew 23.7% and reflected organisations' increased concern over data security. Other major contributors to sales growth were our unified communications and networking activities.

Sales of personal systems increased by 14.2%, reversing a longstanding trend of revenue decline in this segment, which was largely attributable to continuing unit price deterioration.

A notable success was the award of a three-year contract for the supply of desktop, laptop and PDA equipment, with management of installations, moves and changes, to healthcare services provider B.Braun.

Our remarketing and recycling arm, RDC, enjoyed sales growth and another profitable year in Germany, with two major wins from 2006 making a significant contribution to remarketing margins. The relocation of RDC's new sales and service delivery team to the German Operations Centre at Kerpen is expected to help grow RDC business in existing Computacenter accounts.

We expect the economic situation in Germany to support further growth in 2008 and are confident that the business is well placed to make further contributions to Group profits in years to come.

France

2007 saw a fundamental improvement in the performance of our French business. Operating loss reduced 73.0% to £1.8 million (2006: loss of £6.5 million prior to exceptional charges of £5.0 million). This was despite a revenue decline of 7.0% to £285.7 million (2006: £307.3 million), due largely to a challenging product market. This dramatic improvement was brought about by a number of key management initiatives.

In order to address the issues of a highly competitive product marketplace and a 15% average price decline in product prices, we adopted a more commercially innovative and selective approach to the provisioning of hardware. This was supported by the introduction of a new reward scheme for our sales force at the start of the year and by a new focus on the growth of our regional business. The result was improved gross profit in the product business, despite the anticipated 8.8% fall in product revenues.

CONTRACT WINS

Significant contract wins across the Group include BT, Marks and Spencer, BMW Group and the French Atomic Research Authority.

A similarly selective approach in our services business, together with a sharpened focus on quality of service and customer satisfaction, yielded a 7.1% improvement in services revenues and a substantial 24.1% increase in gross profit.

The continuing success of our maintenance services also contributed to the improved financial performance. Our maintenance business recorded a 19% increase in revenue and a substantial increase in gross profit, despite an overall French market for these services that shows zero growth.

The cost of running the business was again managed down, with operating costs falling by 4.2%.

The second half of 2007 saw Computacenter France record a profit for the first time since 2001. Significant renewals included a five-year extension of our global hardware and maintenance service for a leading medical services company, a four-year renewal of our third largest managed services contract with a major pharmaceuticals company and a four-year extension of our product supply contract with the CEA, the French Government's Atomic Research Authority.

New customer wins include a four-year product supply and maintenance contract with the Paris Mayor's office, Marie de Paris, worth £17 million, and a three-year contract to provide most of the Northern French hospitals, Groupement Inter-Hospitalier du Nord, with services including product specification, installation, helpdesk and support worth up to £24 million.

2007 represents a step change in the performance of our French operation. Whilst much remains to be done, particularly in broadening the customer base, we have an opportunity to build on this progress in 2008 and beyond.

Benelux

Our Benelux operation recorded a reduced operating loss of £44,000 (2006: loss of £191,000). The small loss was principally due to increased investment in the Luxembourg sales organisation.

Product supply activities recorded an improved performance, both from traditional volume business as well as new enterprise solutions business. The profit contribution from managed services also grew significantly on the back of high IT resource demand, particularly in Belgium.

Major wins included enterprise solutions projects at CMI, Pioneer Europe, and BDO Atrio in Belgium as well as a unified communications project at Luxpet in Luxembourg.

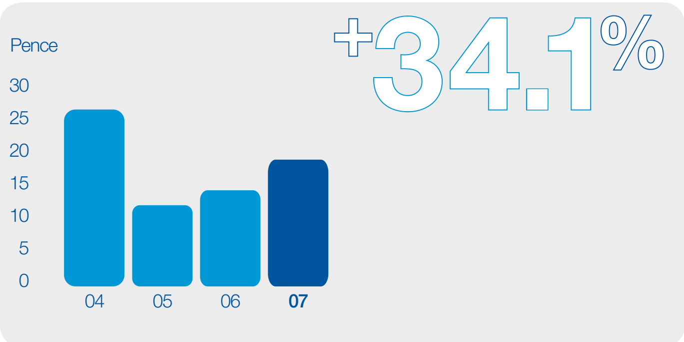
* Adjusted for exceptional items and amortisation of acquired intangibles. Adjusted operating profit is stated after charging finance costs on customer-specific financing.

Business review

Key performance indicators

The Group delivered strong EPS and profit growth, and grew revenues from both product and service activities.

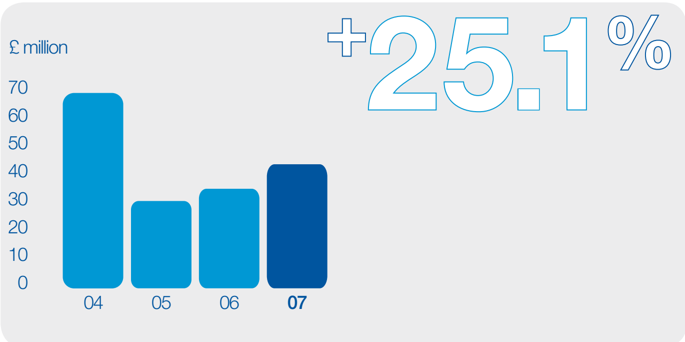
EARNINGS PER SHARE GROWTH



EARNINGS PER SHARE 2004–07

Adjusted Diluted EPS improved 34.1% from 13.8p to 18.5p. This is the second successive year in which Computacenter has delivered strong EPS growth.

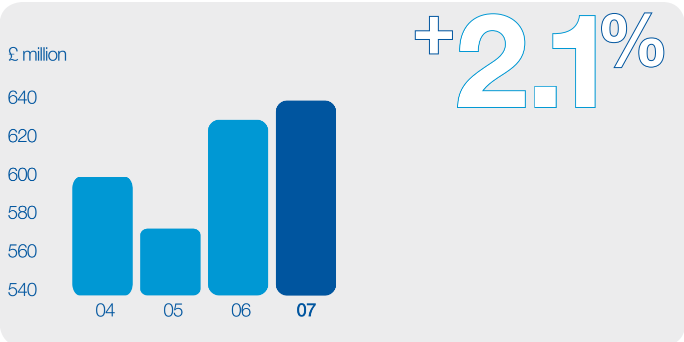
OPERATING PROFIT GROWTH



GROUP OPERATING PROFIT 2004–07

Adjusted Group Operating profit improved 25.1%, from £33.3 million to £41.7 million, driven mainly by improved profit performance in Germany and France.

ENTERPRISE PRODUCTS (NSS) REVENUE GROWTH



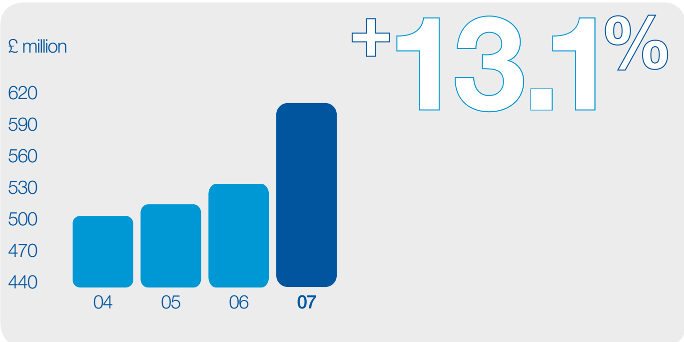
GROUP NETWORK, SERVER AND STORAGE (NSS) REVENUES 2004–07

Group Enterprise, Server and Storage (NSS) revenues grew 2.1% from £623.7 million to £636.5 million, driven in part through growth in professional services projects.

KPI PROGRESS

In 2007 all key performance indicators showed year on year improvements.

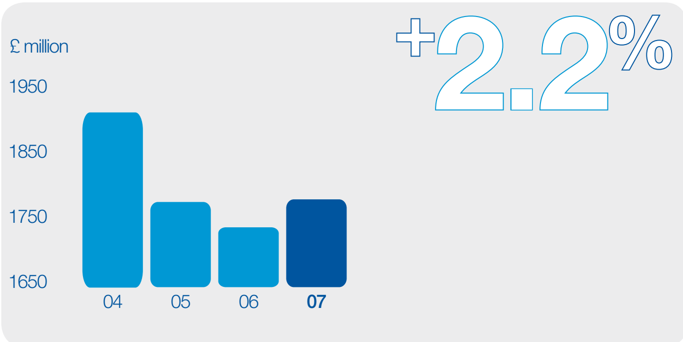
SERVICES REVENUE GROWTH



GROUP SERVICES REVENUES 2004–07

Services revenue increased 13.1% from £534.7 million to £605.0 million, as Computacenter continued to target the less commoditised end of the market.

PRODUCT REVENUE GROWTH



GROUP PRODUCT REVENUES 2004–07

Product revenue grew 2.2% from £1,735.2 million to £1,774.2 million, driven largely by strong personal systems sales in Germany.

NOTES TO CHARTS

ADJUSTED* EARNINGS PER SHARE

EPS is adjusted for exceptional items and amortisation of acquired intangibles.

ADJUSTED* OPERATING PROFIT

Operating profit is adjusted for exceptional items and amortisation of acquired intangibles, and is stated after charging finance costs on customer-specific financing.

ENTERPRISE PRODUCT GROWTH

Comprises all revenues associated with network, server and storage sales.

SERVICE REVENUE GROWTH

Comprises professional services and support and managed services revenues.

PRODUCT REVENUE GROWTH

Comprises revenue for the resale of all hardware, software, third party services and logistics services.

Finance Director's review

TONY CONOPHY
FINANCE DIRECTOR

Turnover and profitability

Group revenues increased for the first time in several years, by 4.8% to £2.38 billion, with a 2.2% increase prior to acquisitions. Growth was achieved in both the UK and German businesses, but there was a decline in revenue in France due to a more selective approach within the product business.

Whilst statutory profit before tax increased materially from £32.9 million to £42.1 million, on an adjusted basis (prior to exceptional items and amortisation of acquired intangibles) profit before tax improved by 12.3% from £38.0 million to £42.7 million.

Adjusted operating profit

Statutory operating profit, prior to the amortisation of acquired intangibles, improved from £28.6 million to £43.1 million. However, management measure the Group's operating performance using adjusted operating profit, which is stated prior to amortisation of acquired intangibles and exceptional items, and after charging finance costs on customer-specific financing for which the Group receives regular rental income.

Table 1 on page 17 shows the reconciliation between statutory and adjusted operating profit by geographical segment for 2007 and 2006.

UK

The UK business grew revenues for the first time in a number of years, even excluding the effect of acquisitions. Organic growth of 1.4% was supplemented with revenues from the acquisitions of Allnet and Digica, resulting in a 5.9% growth in revenues to £1,357.3 million. The higher mix of services sales from the acquired business contributed to a gross profit return increase equivalent to 0.3% in the UK.

Product sales in the UK increased on a like-for-like basis by 2.7%, driven by growth in enterprise product and software sales. Like-for-like revenues in services contracted by 3.5% in 2007. Whilst professional services revenues increased by 19.0%, the reduction in support and managed services was driven by the effect of a number of lost contracts in the second half of 2006. Other operating expenses increased to £162.7 million (2006: £144.4 million). The increase of £18.3 million includes £11.5 million from acquired businesses, £0.5 million of amortisation on acquired intangibles, £2.3 million for the indirect costs of running an in-sourced international helpdesk in Barcelona, £1.0 million for share-based payments charges, and an estimated £4 million investment in the mid-market salesforce.

Adjusted operating profit in the UK reduced from £37.4 million to £33.1 million in 2007 taking into account £1.3 million of finance costs on customer-specific financing (2006: £39,000).

Germany

German revenues increased in 2007 by 8.2% to £708.6 million. The growth was spread across the business portfolio, with product revenue increasing by 5.8% and services revenue increasing by 13.1%.

Gross profit return in Germany improved overall by 0.6% of revenue to 13.3%, with the margin in the product business continuing to benefit from the continued strength of the datacentre and networking business. Whilst service gross profit has improved due to the substantial reduction of losses incurred in 2006 on two shared datacentre contracts, there is still scope to improve service margins further.

Other operating expenses have been controlled in a period of growth, increasing by just 3.1% from £80.6 million to £83.1 million. Taken together with the substantial increase in gross profit, the outcome was an improvement in adjusted operating profit of £7.8 million to £10.4 million in 2007.

TABLE 1 – RECONCILIATION OF STATUTORY TO ADJUSTED OPERATING PROFIT

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
2007					
Operating profit	33,957	10,942	(1,754)	(44)	43,101
Add back					
Amortisation of acquired intangibles	481	132	–	–	613
After charging					
Finance costs on customer-specific financing	(1,339)	(686)	–	–	(2,025)
Adjusted operating profit	**33,099**	**10,388**	**(1,754)**	**(44)**	**41,689**
2006					
Operating profit	37,470	2,788	(11,526)	(191)	28,541
Add back					
Exceptional items	–	–	5,031	–	5,031
Amortisation of acquired intangibles	–	46	–	–	46
After charging					
Finance costs on customer-specific financing	(39)	(262)	–	–	(301)
Adjusted operating profit	**37,431**	**2,572**	**(6,495)**	**(191)**	**33,317**

France

The revenue generated in the French business reduced by 7.0% in 2007 to £285.7 million, due to a more selective approach in a challenging product market. Within the result, the services business in France grew by 7.1%, driven by a 19.2% growth in maintenance and managed services.

Product gross margins increased due to the selective approach mentioned above, and services margins increased largely as a result of improved utilisation in the maintenance business. Following a restructuring programme in the fourth quarter of 2006 which principally targeted the indirect cost base of the business, the other operating expenses of the business reduced in the year from £34.2 million to £33.3 million.

As a result, the operating result improved substantially to a loss of £1.8 million (2006: £6.5 million, prior to £5.0 million exceptional charges).

Benelux

Revenues in the Benelux region continued to grow in 2007, with a 4.1% increase in revenues driven by increased enterprise solutions and managed services revenues. The operating loss of the business reduced by 77% to £44,000 (2006: £191,000).

Capital management

Efficient use of capital is central to our strategy of delivering shareholder value. Following the £74.4 million return of cash to shareholders in 2006, the Group has begun to purchase shares in the market for subsequent cancellation. This programme began in November and by year-end, 1.4 million shares, representing 0.9% of the issued share capital, had been purchased. This was in addition to the purchase of 4.3 million shares by Computacenter Employee Share Ownership Plan in 2007, to satisfy awards made under the Company's share schemes.

Further disclosures on capital management in line with the new requirements of IAS 1 are included in note 24.

Finance income and costs

There was a deterioration during 2007 of £5.4 million, resulting in net finance costs of £1.0 million (2006: net finance income of £4.4 million). Finance costs on customer-specific financing increased to £2.0 million (2006: £0.3 million).

The effect of the share repurchases in July 2006 and H2 2007 on finance income is approximately £2 million. The overall effect on earnings per share is, however, positive. Additionally, the acquisitions of Digica and Allnet have resulted in a lower cash position and reduced finance income by approximately £1.5 million.

Taxation

The effective tax rate (based on pre-exceptional profit before tax) for the Group reduced from 36.9% in 2006 to 31.3% in 2007. The improvement is attributable to the reduction in unrelieved operating losses in France, and to a reassessment of the recoverable amount of the deferred tax asset recognised in relation to tax losses of Computacenter Germany, following the material improvement in profitability in the year.

Deferred tax assets of £6.5 million (2006: £5.5 million) have been recognised in respect of losses carried forward. In addition, at 31 December 2007, there were unused tax losses across the Group of £169.6 million (2006: £153.1 million) for which no deferred tax asset has been recognised. Of these losses, £116.5 million (2006: £107.6 million) arise in Germany, albeit a significant proportion have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

Finance Director's review

TABLE 2 – GROUP REVENUES

	Half 1	Half 2	Total
2005	1,151.6	1,133.6	2,285.2
2006	1,114.9	1,155.0	2,269.9
2007	1,160.3	1,218.8	2,379.1
2007/06	4.1%	5.5%	4.8%

TABLE 3 – ADJUSTED* PROFIT BEFORE TAX

	Half 1	%	Half 2	%	Total	%
2005	9.9	**0.9%**	25.8	**2.3%**	35.7	**1.6%**
2006	14.5	**1.3%**	23.5	**2.0%**	38.0	**1.7%**
2007	13.1	**1.1%**	29.6	**2.4%**	42.7	**1.8%**
2007/06	(9.8%)		25.8%		12.3%	

Earnings per share and dividend

The repurchases of capital through 2006 and 2007 have delivered earnings per share increases in excess of improvements in profitability. Adjusted diluted earnings per share increased from 13.8p to 18.5p, an increase of 34.1%. On a statutory basis, diluted earnings per share increased by 67.0% from 10.9p to 18.2p. The Board is recommending an increase to the total dividend for the year to 8.0p per share (2006: 7.5p). The final dividend of 5.5p will be payable on 12 June 2008 to registered shareholders as at 16 May 2008.

Acquisitions

During the year, Computacenter UK purchased Digica Group and Allnet Limited, which has helped to accelerate the development of our services offerings in datacentre and networking services in the UK. After a disappointing performance in H1 2007, Digica performed well in H2 2007. The performance of Allnet was in line with management expectations for the business.

The Group's cash outlay on these acquisitions is a combined £32.6 million, net of cash acquired. As detailed in note 27, these business combinations have been accounted for using the purchase method of accounting. Acquired intangible assets have been separately recognised, where they can be individually separated and reliably measured, with the remainder recorded as goodwill.

For impairment testing purposes, goodwill has been allocated to the lowest level cash-generating unit that can be reliably measured. As detailed in note 14, the Allnet business has been integrated into the core Computacenter UK business. Digica has been tested as a standalone cash-generating unit, although it is expected that during 2008 Digica's cash flows will cease to be reliably and separately identifiable, and will be tested for impairment against the Computacenter UK cash-generating unit.

Cash flow

£'m	At 1 January 2007	Movements in year	At 31 December 2007
Cash and cash equivalents	59.0	(51.7)	7.3
Factor financing	(29.6)	6.1	(23.5)
Net funds/(debt) prior to customer-specific financing	29.4	(45.6)	(16.2)
Customer-specific financing	(18.6)	(45.0)	(63.6)
Net funds/(debt)	10.8	(90.6)	(79.8)

Cash and cash equivalents reduced by £51.7 million from £59.0 million to £7.3 million. Taking into account the factor financing in France, net funds prior to customer-specific financings reduced by £45.6 million from £29.4 million to a net borrowing position of £16.2 million.

The net cash outflow derives from a total net outflow in working capital of £30.2 million, income tax of £13.9 million, acquisitions of £32.6 million, dividends of £11.8 million and repurchased shares totaling £11.3 million.

The working capital outflow was generated by the growth in the product business in the UK and Germany, and the tendency for this part of the business to become more pronounced in December. In addition, there were increased stock-holding requirements on a limited number of customer contracts.

During the year, we entered into a number of customer-specific finance leases and loans, principally in relation to new datacentre offerings in the UK and Germany. Taking these into account, total net borrowings at the end of the year were £79.8 million, compared to net funds of £10.8 million at the start of the year.

TABLE 4 – REVENUES BY COUNTRY

	2007 Half 1	2007 Half 2	2006 Half 1	2006 Half 2
UK	671.1	686.2	661.1	620.4
Germany	340.7	367.9	297.7	357.0
France	135.3	150.4	141.7	165.5
Benelux	13.2	14.3	14.4	12.0
Total	1,160.3	1,218.8	1,114.9	1,155.0

TABLE 5 – ADJUSTED* OPERATING PROFIT BY COUNTRY

	2007 Half 1	%	2007 Half 2	%	2006 Half 1	%	2006 Half 2	%
UK	11.3	**1.7%**	21.8	**3.2%**	16.4	**2.5%**	21.0	**3.4%**
Germany	3.5	**1.0%**	6.9	**1.9%**	0.5	**0.2%**	2.1	**0.6%**
France	(2.1)	**(1.6%)**	0.3	**0.2%**	(5.4)	**(3.8%)**	(1.1)	**(0.7%)**
Benelux	(0.1)	**(0.8%)**	0.1	**0.4%**	(0.1)	**(0.6%)**	(0.1)	**(0.9%)**
Total	12.6	**1.1%**	29.1	**2.4%**	11.4	**1.0%**	21.9	**1.9%**

Financial instruments

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

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the financial results of the Group. The policies for managing each of these risks are set out below. Further disclosures in line with the new requirements of IFRS 7 are included in note 23 of the accounts.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, invoice factoring in France and finance leases 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. We will continue to monitor this position to ensure that the interest rate profile is appropriate for the Group. When long-term borrowings are utilised, the Group's policy is to maintain these borrowings at fixed rates to limit the Group's exposure to interest rate fluctuations.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and committed bank facilities in place to meet any foreseeable peak in borrowing requirements. Following the acquisitions and ongoing share repurchases in 2007, the Group has entered into a position of net borrowings for the first time in several years. The Group's net borrowing position at the year-end was £16.2 million prior to customer-specific financing, and statutory net funds were £79.8 million.

At 31 December 2007, the Group had available £148.1 million (2006: £132.9 million) of uncommitted overdraft and factoring facilities. Additionally, customer-specific financing facilities are committed.

Foreign currency risk

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

Credit risk

The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are continually monitored thereafter.

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Risk management

CONTROLLING RISK

The Group seeks to identify and control risks, which are categorised as strategic risks, operational risks or hazards.

The Group carries out a formal annual process of identifying and assessing business risks. Throughout the year changes are made to reflect new risks or changed circumstances. Mitigating actions are developed for all identified risks, which are then quantified and prioritised. Identified risks are then considered in the development and execution of the programme of work carried out by the Group's Internal Audit Department. Highlighted below are some of the principal risks to the implementation of the Group's strategy or achievement of desired performance levels. These risks are categorised into strategic risks, operational risks and hazards. Financial risk exposures are described in the Finance Director's review on pages 16 to 19.

Strategic risks arise principally from external events over which the Group has limited influence, and in response to which our focus tends to be on measures to limit or control losses. These risks include the following:

- A significant economic slowdown could expose the Group to materially reduced discretionary spend on IT, particularly within the financial services sector. In the short term, as some of the Group's cost base is variable, the impact on project-based resources would be minimised. However, a substantial portion of the indirect cost base is fixed in the short to medium term. Various actions would be taken to mitigate the impact of such a slowdown, including re-focusing resource on the more buoyant business sectors and promoting business offerings, such as outsourcing the management of IT infrastructure, that reduce costs for customers.
- A small number of key vendors with considerable scale and market strength supply products which generate a significant proportion of the Group's revenues. The risks of deteriorating vendor terms and revenue loss due to these vendors selling direct, are partially mitigated through the Group's maintenance of a vendor independent product portfolio and through delivering incremental value to customers across the range of services, in order to ensure that customers continue to purchase from the Group.
- The Group's profits continue to be exposed to erosion of IT equipment unit prices. This risk is mitigated by a robust focus on internal cost control and through directing the selling activity to higher margin earning contracts.
- The Group's contractual services offerings are exposed to a market trend towards shorter term engagements and the demand for quantified cost reductions, or tangible savings, at an early stage of the engagement. By continuously developing higher value service offerings and through widening the customer base, such as by investing in the mid-market sector, the Group seeks to minimise the potential impact of these risks.

Operational risks arise from failures in internal processes, people and systems (in general includes risks such as IT systems or security failures, human error and failure to execute project or process changes effectively). Proactive intervention can reduce the likelihood or severity of such risks and included within this category of risks are:

- Profit erosion resulting from a failure to understand the full commercial consequences of unfamiliar and complex end-to-end service contracts, which arise through the competitive and dynamic nature of the industry. Bid review and an escalation process for non-standard proposals aim to mitigate this exposure.
- Failure to attract and retain key staff, which can impact adversely on operational efficiency. The Group constantly seeks to identify talent for development and succession, and to limit attrition levels through appropriate bonus and share incentive schemes.

Hazards constitute perils such as fire, flood and viral attack of pandemic proportions. Hazards are managed through prevention, mitigation, continuity planning and risk transfer through the purchase of insurance. The loss of an entire facility of the Group has been assessed through internal inspections and surveys by an external expert and found to be extremely unlikely, largely due to enhanced control measures implemented during recent years. However, the Group's ability to deliver services and products would be impacted through the loss of an entire major facility and in mitigation of this risk, a comprehensive continuity planning and scheduled testing programme is maintained.

Corporate sustainable development

We aim to make the 10 core principles of the UN Global Compact integral to our strategy, culture and day-to-day operations.

Computacenter prides itself on the provision of technologically advanced information solutions and recognises that our business occurs within a wider community of employees, shareholders, customers, suppliers, business partners and the natural environment as a whole.

During the latter half of 2007, the Group committed itself to the 10 core principles of the United Nations Global Compact, aimed at demonstrating ethical, environmental and social responsibility towards our own workforce as well as our business interaction with people and organisations within each community and country we operate. The Group additionally retains its membership to FTSE4Good Index Series.

Integral to this commitment, we strive to incorporate the UN Global Compact and its principles into our strategy, Corporate Sustainable Development Policy, culture and day-to-day operations. We do this through the development, communication and implementation of relevant policies to manage and measure our progress towards these principles. We support public accountability and transparency and will publish, as part of our annual Business Review, a Communication on Progress (CoP). This report is aimed at establishing the initial foundation for future developments in, and reporting on, corporate sustainable development (CSD) for the Group as a whole.

Computacenter will seek to collaborate with and encourage our suppliers, contractors and customers to operate in a similar socially responsible manner, as guided by the 10 principles, derived from the United Nations Global Compact. In this regard, the Group will initially seek to obtain a level of commitment from its principal contractors, with assistance and verification of commitment implementation to follow during 2009.

Mike Norris
Chief Executive Officer

Human rights

1 Support and respect the internationally proclaimed human rights

Human rights – status achieved
Policies on equality and non-discrimination assurance have been adopted within the Group as a whole and the majority of Computacenter employees have their human rights entitlements embedded within their employment contracts.

Human rights – objective for 2008
- Increase employee awareness across the Group about human rights and procedures available for rights protection through an enhanced information programme.

Health and safety – status achieved
Internal control policies are maintained and reviewed annually and certified to the OHSAS 18001 international standard, at Computacenter Germany and RDC. Computacenter UK has opted to have the health and safety management system audited by the UVDB Verify standard and achieved 93% during the 2007 audit (2006: 87.5%).

Health and safety – objective for 2008
- Maintain the accident incident rate (AIR) to below 2.5 and the accident frequency rate (AFR) to below 1.0.

AIR – Number of accidents per 1,000 employees
AFR – Number of accidents per 100,000 working hours

2 Ensure that the Group is not complicit with human rights abuses

Human rights – status achieved
Computacenter expects its contractor partners and suppliers to respect internationally proclaimed human rights. Computacenter UK adopted a minority supplier development programme during 2007.

Corporate sustainable development

EQUALITY AND DIVERSITY

Policies on equality and non-discrimination assurance have been adopted within the Group as a whole.

Human rights – objectives for 2008
- Formally identify and list all contractor partners and suppliers through a risk based approach.
- Obtain information on their levels of commitment and conformance to respecting human rights.

Labour standards

3 Uphold employees' freedom of association
Status achieved

The Group encourages active employee participation through elected employee representative forums and such forums have been established in both the UK and Germany. In addition to the elected employee forum in the UK, formal recognition agreements have been reached with CWU, PCS, Unite and Connect, for the purposes of collective bargaining. Computacenter France has a formal Works Council arrangement, as is the case at Computacenter Managed Services GmbH in Germany, and Computacenter Belgium.

Freedom of association – objective for 2008
- Obtain information from selected contractor partners and suppliers on their levels of commitment and conformance to upholding freedom of association.

4 Eliminate all forms of forced and compulsory labour
No compulsory labour – status achieved

All employees of the Group have been employed through the conclusion of a formal agreement, which conforms to the labour laws within the various countries, complies with applicable wage rate stipulations and details the procedures in exercising the right to terminate.

No compulsory labour – objective for 2008
- Formal assurance will be sought from suppliers and contractor partners, in this regard.

5 Abolish all forms of child labour
No child labour – status achieved

Minimum age requirements apply across the Group and specific procedures are in place for student work experience periods.

Computacenter believes that education is effective in the abolition of child labour practices. Computacenter France supports Aide et Action, a non-governmental organisation which facilitates in providing child education. The Group's IT recycling and remarketing arm, RDC, together with Microsoft, Digital Pipeline and Digital Links, have provided schools in Africa with donated and refurbished IT equipment.

No child labour – objective for 2008
- Formal assurance will be sought from suppliers and contractor partners, in this regard.

6 Support equality in respect of employment and occupation and eliminate all discrimination
No discrimination – status achieved

The Group has implemented equality and non-discrimination policies and Computacenter UK was accredited to Investors in People status in 2005.

No discrimination – objectives for 2008
- Achieve re-accreditation to Investors in People.
- Seek assurance from suppliers and contractor partners in this regard.
- 80% of employees in Germany to complete AGG (anti-discrimination law) training.

Environment

7 Apply precaution to activities which can impair the environment
Protect the environment – status achieved

Environmental Management Systems (EMS) have been implemented throughout the Group, wherein improvement targets and objectives for significant impacts are set out. The majority of the EMS procedures have been certified to the ISO 14001 standard.

- Energy saving practices have resulted in a total saving of 5,685,000 kwh, at the Hatfield site between 2004 until the end of 2007. This equates to 2,387 tonnes of CO_2 (rate: 0.42/1000).

GREEN SERVICE OFFERINGS

The Computacenter Green IT Advisory Service was launched and RDC, our recycling and remarketing arm, provides customers with environmentally compliant and data secure solutions to end of life IT asset management.

- CO_2 reduction motivated through the promotion of telephone/video conferencing and, since April 2006, the minutes spent on conferencing through these communication tools has increased by approximately 320%.
- Cars with higher CO_2 emission levels have been removed from the register of vehicles available for purchase.
- The average weight of packaging waste per item of equipment in 2007, is 33% lower than in 2002.
- The Group's IT equipment is disposed of in compliance with the WEEE Directive.

Protect the environment – objectives for 2008
- Identify a suitable performance indicator for energy consumption measurement, which incorporates business demand in addition to metered units.
- Commission a green fleet review of the UK's fleet by the Energy Saving Trust.
- Find suitable measures for the effects of recently implemented waste reduction initiatives.

8 Undertake initiatives to promote greater environmental responsibility

Promote environmental responsibility – status achieved

Computacenter acknowledges that its activities impact on the wider environment and more specifically, it impacts on the communities in which it operates. In line with this acknowledgement, the Group is committed to supporting various charities selected by employees.

Promote environmental responsibility – objective for 2008
- Review and identify initiatives which would divert more fundraising proceeds to causes of a local community or industry relevant nature.

9 Encourage the development of environmentally friendly technologies

Develop environmentally friendly technologies – status achieved
- In January 2007, the Computacenter Green IT Advisory Service was launched.
- RDC, our recycling and remarketing arm, provides customers with environmentally compliant and data secure solutions to end of life IT asset management.

Develop environmentally friendly technologies – objective for 2008
- Investigate further viable environmentally friendly initiatives.

Anti-corruption

10 Impede corruption in all its forms, including extortion and bribery

Impede corruption – status achieved

An ethics policy has been implemented across the Group, with a requirement that employees report any suspected forms of non-conformances to the ethics policy. As a standing item at the main quarterly Group Audit Committee meetings, the Committee considers any instances of 'whistle-blowing' and advises the Board on appropriate action.

Impede corruption – objectives for 2008
- Review and ensure that all the 'whistle-blowing' policies within the Group are aligned and that the reporting channels to Group Audit Committee level are free and unhindered.
- Obtain information on the levels of formal opposition to corruption from selected contracting partners and suppliers.

Stephen Benadé

SJ Benadé
Secretary
10 March 2008

Sustainable development in practice

HELPING REDUCE BT'S CARBON FOOTPRINT

At BT's inaugural Supplier Innovation Awards in November 2007, Computacenter was recognised for its work on virtualising and consolidating a number of their UK datacentres, helping BT reduce the carbon footprint of its Windows datacentre estate by 85%. With around 1,400 fewer servers to power and cool, the company has been able to cut its energy consumption by over 5,000 KW, which accounts for savings of almost £800,000 per annum.

BT's statement on the Computacenter award says:
'Computacenter was judged the overall winner for its Outstanding Innovation. It was an innovative idea, showed a great level of thought leadership, with tangible benefits for BT.'

BRIDGING THE DIGITAL DIVIDE

Computacenter's recycling and remarketing arm RDC is one of the founding companies behind the Digital Pipeline project, which helps corporate IT departments put unwanted computers to good use. Hundreds of desktops, laptops and printers are being sent to schools and communities across Africa to enable developing communities around the world to gain access to IT.

Within the Digital Pipeline, RDC works with Digital Links International – a UK registered charity – to ensure that the computers are deployed in the schools for which they were intended. RDC also ensures that all corporate data has been thoroughly removed before shipping and that the equipment is returned to them at end-of-life, ensuring zero landfill disposal.

Photo caption: The 'Bridge' sculpture, commissioned by Digital Links and offered for exhibition by its partners to help communicate their work.

Our clients

NORWICH UNION

INDUSTRY: **INSURANCE**

Trust is fundamental in the insurance business, requiring the guarantee of a high-quality, sustainable and consistent service. Norwich Union realised IT had a critical role to play in minimising risk and optimising performance.

With Computacenter's help, Norwich Union consolidated and virtualised its two datacentres. This involved the consolidation and migration of 320 applications, upgrading 688 servers and decommissioning more than 220.

As a result, the new server infrastructure is more flexible, cost-effective and reliable. Power consumption has decreased, as has downtime, total ownership cost and risks to business continuity. Norwich Union has also been able to enhance its competitive advantage through increased agility.

BUSINESS CHALLENGE

Deliver business agility and a high-quality, sustainable and consistent service that upholds its customers' trust.

THE SOLUTION

Deliver a consolidated and virtualised environment at two datacentres.

RESULTS

Simplified IT management, reduced costs, reduced environmental impact and improved business agility

SERVICES

Planning and design
Audit
Technology supply
Project management
Engineering and consulting

NORWICH UNION
an AVIVA company

Norwich Union

Reducing downtime, cost and environmental footprint

Our clients

South Wales Fire and Rescue Service

Faster and safer response to emergencies

SOUTH WALES FIRE AND RESCUE SERVICE

INDUSTRY: **GOVERNMENT**

South Wales Fire and Rescue Service opted to include in-cab wireless data links to ensure firefighters could access real-time information held at its headquarters.

The Service needed a robust and continuous link between the client devices and the data repository. Working with Computacenter, a solution was deployed that offered excellent availability, as well as the flexibility to adopt new technologies, such as 3G services, without changes to the infrastructure.

As a result, the Service was able to provide firefighters with fast wireless access to potentially life-saving information such as building plans and risk information.

BUSINESS CHALLENGE

Ensure firefighters have mobile access to critical data whilst on the move.

THE SOLUTION

Deploy a wireless-enabled system in fire appliances that provides real-time access to data.

RESULTS

Faster, more effective, and safer response to emergency incidents.

SERVICES

Planning and design
Configuration
Fulfilment

IMMOBILIENSCOUT24

INDUSTRY: **INTERNET SERVICES**

www.immobilienscout24.de, the most popular German online real estate portal, needed a high-availability infrastructure platform that could be adapted to meet its rapidly increasing volume of Internet users. The company needed an IT service provider who could guarantee high performance, full operation 365 days a year.

Computacenter was chosen for its experience in operating complex IT platforms and its systematic industry standards-based approach. As a result, today Immobilienscout24 has a highly available IT infrastructure and is able to cope with the highest levels of traffic without any performance decline. Economies of scale have also delivered considerable cost benefits.

BUSINESS CHALLENGE

Provide a high availability, high performance infrastructure to support users of the company's web portal.

THE SOLUTION

Build a virtualised environment across two datacentres, ensuring availability even if one should fail.

RESULTS

A reliable, high performance web portal, together with considerable cost benefits.

SERVICES

Planning and design
Technology supply
Implementation
Project management
Managed datacentre and network support

IMMOBILIEN SCOUT 24

Immobilienscout24

Offering a reliable and scaleable web portal

Board of Directors

Mike Norris (46)
Chief Executive
Mike graduated with a degree in computer science and mathematics from East Anglia University in 1983. He joined Computacenter in 1984 as a salesman in the City office. In 1986 he was Computacenter's top national account manager. Following appointments as Regional Manager for London operations in 1988 and General Manager of the Systems Division in 1992 with full national sales and marketing responsibilities, he became Chief Executive in December 1994 with responsibility for all day-to-day activities and reporting channels across Computacenter.

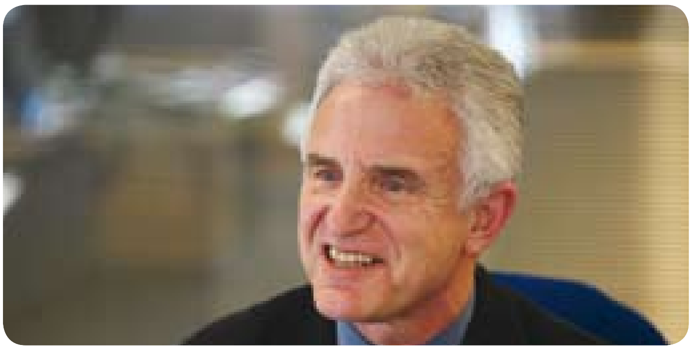
Tony Conophy (50)
Finance Director
Tony has been a member of the Institute of Chartered Management Accountants since 1982. He qualified with Semperit (Ireland) Ltd and then worked for five years at Cape Industries plc. He joined Computacenter in 1987 as Financial Controller, rising in 1991 to General Manager of Finance. In 1996 he was appointed Finance and Commercial Director of Computacenter (UK) Limited with responsibility for all financial, purchasing and vendor relations activities. In March 1998 he was appointed Group Finance Director.

Peter Ogden (60)
Non-Executive
Peter founded Computacenter with Philip Hulme in 1981 and was Chairman of the Company until 1998, when he became a Non-Executive Director. He is Chairman of Dealogic (Holdings) plc and a Director of Atlas Capital Group. Prior to founding Computacenter, he was a Managing Director of Morgan Stanley and Co.

John Ormerod (59)
Non-Executive
John is the Senior Independent Director of Misys Plc. He is also a Non-Executive Director of Gemalto NV, where he chairs the Audit Committee, and a member of the Audit Committee of HBOS plc. In January 2008 he joined the Board of ITV plc.

Philip Hulme (59)
Non-Executive
Philip founded Computacenter with Peter Ogden in 1981 and worked for the company on a full-time basis until stepping down as Executive Chairman in 2001. He is a Director of Dealogic (Holdings) plc and was previously a Vice President and Director of the Boston Consulting Group.

Ian Lewis (47)
Non-Executive
Ian is Director of the University Computing Service at the University of Cambridge. During his career he has held a number of senior positions, including First Vice President and Global Chief Technology Officer of Merrill Lynch's Investment Banking and Sales division and Global CTO at Dresdner Kleinwort Wasserstein Investment Banking.



Cliff Preddy (60)
Non-Executive
Cliff has worked in the IT industry for most of his professional career, including many years as an Executive Director of Logica plc. He is currently Chairman of Charteris plc and was a Non-Executive director of CODASciSys plc from 1997 until 2006, including six years as Chairman.

Corporate governance statement

1 Compliance statement
The Board remains committed to maintaining high standards of corporate governance and supports the principles and provisions of the Combined Code on Corporate Governance (the Code), as published in June 2006. This report details how the Company has applied those principles and provisions. The Board confirms that, save as detailed below, the Company has complied with the provisions of the Code throughout the financial year.

2 Board of Directors
Structure
For the first half of the year the Board consisted of three Executive Directors: Mike Norris, Tony Conophy and Ron Sandler, and five Non-Executive Directors: Philip Hulme, Ian Lewis, Peter Ogden, John Ormerod and Cliff Preddy. In July 2007, Ron Sandler's role changed from an Executive Chairman to a Non-Executive Chairman and during the year he was appointed as Chairman of Ironshore. Subsequent to the year-end Ron Sandler resigned from the Board, effective from 18 February 2008. Details of the current Directors, including their membership of committees, are set out below and their biographies appear on pages 28 and 29. Ian Lewis, John Ormerod and Cliff Preddy are considered by the Board to be independent under the provisions of the Code. Cliff Preddy is the Senior Independent Director, and interim Chairman until a suitable replacement is found.

The Directors are aware that during 2007, the structure of the Board did not comply with provision A.3.2 of the Code, which requires at least half the Board, excluding the Chairman, to consist of independent Non-Executive Directors. During 2006 two independent Non-Executive Directors were appointed and on the advice of the Nominations Committee and taking into account size and continuity considerations, the Board decided that no further appointments were required. The effectiveness of the Board has been considered during 2007 and it is felt that the present size and composition of the Board is appropriate for the requirements of the business, subject to the appointment of a new Chairman.

Decision making
The roles of Chairman and Chief Executive are separate and there is a clear division of responsibilities between the two. In brief, the Chairman is responsible for the effective operation of the Board and leads the Board in determining strategy. The Chief Executive is responsible for the day-to-day management of the Group's activities. There is no individual who has unfettered powers of decision and no individual or group of individuals who dominate the Board's decision making processes. The Board believes that it oversees the Group effectively and is proactive in its approach.

The Chairman facilitates the contribution of all Directors and is responsible for ensuring constructive relations exist between them.

The Board sets the strategic aims for the Group and ensures that the necessary resources are in place to achieve these objectives. It is also responsible for reviewing the performance of management in order to ensure that they are meeting pre-agreed objectives. There is a documented schedule of matters that are reserved for the Board and these matters include the approval of major capital expenditure and the agreement of strategies and budgets. This schedule is reviewed and updated by the Board annually. All of the Directors have access to the Company Secretary, Stephen Benadé, who is responsible for ensuring that all Board procedures are followed, applicable rules and regulations are complied with and the Board is updated on regulatory and governance matters. The Chairman ensures that all Directors are properly briefed on issues considered at Board meetings, to enable them to effectively discharge their duties and the Chairman will, when applicable, ensure that all new Directors receive a tailored induction. All Directors receive relevant information in a timely manner. This includes detailed briefings on all matters where the Board is required to make a decision or to give its approval and regular reports on issues such as the trading performance and outlook. In addition, senior members of the management team are routinely invited to attend Board meetings, thereby ensuring Directors continually update their knowledge of, and familiarity with, the business and management of the Group. All of the Directors are entitled to obtain independent professional advice, at the Company's expense, where they believe it is important to the furtherance of their duties. The Company arranges insurance cover in respect of legal action against the Directors and in defined permissible instances, the Company has given an indemnity to Directors against claims brought.

The Directors set appropriate values and standards, ensuring that obligations to shareholders and others are understood and met, and that a satisfactory dialogue with shareholders is maintained. A framework of prudent and effective controls exists to ensure that risks are properly identified, assessed and managed.

All Directors are subject to election at the first Annual General Meeting after appointment and are required to retire by rotation, at least every three years. Those Non-Executive Directors who have served for more than nine years are obliged to offer themselves for re-election annually.

The Board has established a formal process, which is led by the Chairman, for the evaluation of the performance of the Board, its Committees and individual Directors. Individual interviews are conducted by the Chairman with each Director to explore matters of Board effectiveness. The information obtained forms the basis of a report for discussion by the Board which decides, as a whole, on the actions to be taken in respect of those areas identified as requiring improvement. The review of the performance of the Chairman is undertaken annually by the Remuneration Committee.

Name	PLC Board	Independent	Audit Committee	Remuneration Committee	Nominations Committee
Ron Sandler[1]	Non-Executive Chairman	No	No	Yes	Chairman
Mike Norris	Executive	No	No	No	No
Tony Conophy	Executive	No	No	No	No
Philip Hulme	Non-Executive	No	No	No	No
Ian Lewis	Non-Executive	Yes	Yes	Yes	Yes
Peter Ogden	Non-Executive	No	No	No	No
John Ormerod	Non-Executive	Yes	Chairman	Yes	Yes
Cliff Preddy	Senior Independent Director	Yes	Yes	Chairman	Yes
Stephen Benadé	Secretary	Not applicable	Secretary	Secretary	Secretary

1 Ron Sandler served as the Executive Chairman until 10 July 2007, when he became a Non-Executive Chairman. On 18 February 2008 Ron Sandler resigned from the Board.

Principal Board Committees

The Board has delegated certain duties to three principal Committees, the main responsibilities and composition of which are as follows:

Audit Committee

Members: John Ormerod (Chairman), Ian Lewis and Cliff Preddy

Throughout 2007 the Company has been fully compliant with provision C.3.1, which states that there should be at least three independent members of the Committee. During the year, the Committee met on seven occasions and attendance at those meetings is set out on page 32. The Chairman, Group Finance Director, Group Internal Audit Manager, Group Risk Manager, Group Financial Controller and the external auditor are routinely invited to and attend the majority of meetings. Periodically, the Committee also meets privately with the external auditors and the Group Internal Audit Manager.

The Committee assists the Board in fulfilling its duties by reviewing a wide range of matters, including the Group's annual and interim financial statements and accompanying reports to shareholders, the preliminary announcement of results and all other announcements regarding financial performance. In addition, it reviews on behalf of the Board, the scope, cost effectiveness and results of external and internal audit and the external auditor's independence and objectivity. The Committee establishes and monitors the Group's policy in relation to non-audit services provided by the external auditor, with a view to ensuring objectivity, independence and cost effectiveness. The Committee monitors the integrity of internal financial controls and risk management systems, principally on the basis of reports on significant operational risks and controls, presented by the Internal Audit Department and the Risk and Insurance Department. In addition, the Committee reviews practices for answering staff concerns over improprieties and should these arise, ensures that procedures are in place for appropriate investigation and follow-up. The terms of reference for the Committee are reviewed annually.

Nominations Committee

Members: Ron Sandler (Chairman), Ian Lewis, John Ormerod and Cliff Preddy

During the year Ron Sandler served as the Committee Chairman and the other members are all independent Non-Executive Directors. Ron Sandler resigned from the Board on 18 February 2008 and Cliff Preddy is the acting Chairman. In accordance with the provisions of the Code, the majority of the Committee is made up of independent Non-Executive Directors. The Committee convened twice during 2007, to consider the structure and composition of the Board. The Committee's responsibilities include leading the process for Board appointments, reviewing the Board composition, skills, knowledge and experience, and nominating candidates for both Executive and Non-Executive Directorships on the basis of merit and objective criteria. It also ensures that the procedures for the appointment of new Directors are formal, rigorous and transparent and that there is an orderly succession for appointments to the Board and senior management.

When making a recommendation for the appointment of a Director, the Committee will evaluate the existing balance of skills, knowledge and experience on the Board and produce a description of the role and capabilities required for such an appointment. The Committee typically uses the services of external advisers to help identify candidates from a wide range of backgrounds, who will then be considered on merit against objective criteria.

Remuneration Committee

Members: Cliff Preddy (Chairman), Ian Lewis, John Ormerod and Ron Sandler

The majority of the members of this Committee are independent Non-Executive Directors. Throughout the year the Committee was compliant with provision B.2.1 of the Code. Philip Hulme and Peter Ogden generally attend the Committee meetings by invitation. Ron Sandler was appointed a member of the Committee in July 2007 and subsequent to the year-end has resigned.

The Committee determines the Group's general policy on executive remuneration, the specific packages for the Executive Directors and the level and structure of remuneration for senior employees in line with best practice. The Committee also monitors and reviews the terms and conditions of the Executive Directors' service agreements, determines the grant of shares or options to them and to senior employees and appoints any consultants, when relevant, in assessing their remuneration. The Committee's terms of reference are regularly reviewed by the Board to ensure that its activities comply fully with the provisions of the Code and, in particular, that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

Throughout 2007 the terms of reference for all Committees were available from the Company Secretary on request and were posted on the Company's website.

Corporate governance statement continued

The attendance of the Directors at scheduled Board and Committee meetings held during 2007 was as follows:

Director	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Number of scheduled meetings held	8	4	2	2
Executive:				
Mike Norris, Chief Executive	8	n/a	n/a	n/a
Tony Conophy, Finance Director	8	n/a	n/a	n/a
Non-Executive:				
Ron Sandler, Chairman[1]	8	n/a	–	2
Philip Hulme	4	n/a	n/a	n/a
Ian Lewis	8	4	2	2
Peter Ogden	8	n/a	n/a	n/a
John Ormerod	8	4	2	2
Cliff Preddy, Senior Independent Director	8	4	2	2

1 Ron Sandler was appointed to the Remuneration Committee on 10 July 2007.

From time to time, additional meetings are required which may not necessarily demand attendance by all Directors, depending on the nature of the business to be discussed. During the year, three such Board meetings were required to conclude matters previously considered. Ron Sandler, Mike Norris and Tony Conophy attended all three meetings, John Ormerod attended two and Philip Hulme, Ian Lewis, Peter Ogden and Cliff Preddy attended one. There were three additional meetings of the Audit Committee convened during the year and John Ormerod, Ian Lewis and Cliff Preddy attended all three meetings.

It is inevitable that there will be occasions when circumstances arise to prevent Directors from attending meetings. In such circumstances, the usual practice is for the absent Director to review the Board papers and to raise any considerations on specific issues with the Chairman. Philip Hulme notified the Board that he would be unable to attend a number of Board meetings during 2007; however, he reviewed all Board papers and minutes and raised any considerations with the Chairman. He also remained in regular contact with the Board. At Philip Hulme's request, it was agreed that his remuneration be pro-rated per meeting attended by him.

In addition to the formal Board and Committee meetings, the Chairman meets with the Non-Executive Directors without the other Executive Directors being present, at least once a year. The Non-Executives also meet without the Chairman to appraise his performance, during the scheduled Remuneration Committee meeting.

3 Directors' remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 34 to 39.

4 Relations with shareholders

The Executive Directors have regular contact with institutional shareholders (except during close periods) and dialogue with shareholders generally is accorded a high priority. The Company has a programme of meetings with its major institutional shareholders and presents to analysts at least twice a year, following the announcement of its interim and final results. The Chairman arranges for the Directors to receive regular reports on shareholders' views to ensure the Board develops an understanding of matters of concern to the major shareholders. Cliff Preddy, as Senior Independent Non-Executive Director, is available to answer any shareholder concerns that are unable to be resolved through regular channels. In addition to mandatory information, a full and balanced explanation of the business of all general meetings is sent to shareholders. The Board welcomes the attendance of individual shareholders at general meetings and the opportunity to communicate with investors and address their questions. Resolutions at the Company's general meetings have been passed on a show of hands and proxies for and against each resolution (together with any abstentions) are announced at such meetings, noted in the minutes, available on the Company's website and notified to the market.

5 Internal controls

The Board has overall responsibility for maintaining and reviewing the Group's systems of internal control, ensuring that these are prudent and robust and enabling risks to be properly assessed and managed. Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board conducts an annual review of the effectiveness of the systems of internal control including financial, operational and compliance controls and risk management systems. Where material weaknesses have been identified, safeguards are implemented and monitored.

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

Responsibilities and authority structure

The Board has overall responsibility for making significant strategic decisions and there is a schedule of specific matters reserved for the Board. The Executive Directors, together with two senior managers, constitute the Group Executive Committee, which meets on a regular basis to discuss day-to-day operational matters. Separate Executive Committees have been established for each of the Group's operations in the UK, France and Germany. From 2008, the Managing Directors from France and Germany will attend the Group Executive Committee meetings, at regular intervals. A flat reporting structure is maintained across the Group with clearly defined responsibilities for operational and financial management.

Control environment
The Group operates authorisation and approval processes that are an integral part of its operations. Access controls exist where processes have been automated to ensure the security of data. Management information systems have been developed to identify risks and to enable assessment of the effectiveness of the systems of internal control. Accountability is reinforced and further scrutiny of costs and revenues encouraged, by the linking of staff incentives to customer satisfaction and profitability.

Planning and reporting processes
A three-year strategic plan is prepared or updated annually and reviewed by the Board. A comprehensive budgetary process is completed annually and is subject to the approval of the Board. Performance is monitored through a rigorous and detailed financial and management reporting system, by which monthly results are compared to budgets and the previous year. The results and explanations for variances are regularly and routinely reported to the Board. Appropriate action is taken where variances arise.

Risk management
Specialists within the Risk and Insurance Department monitor developments and ensure compliance with legislative and regulatory requirements, including the Turnbull Guidelines. A comprehensive risk management programme is monitored and developed by the Risk Committee, the members of which include key operational managers, the Group Internal Audit Manager and the Group Risk Manager. Through a programme of assessment, appropriate measures and systems of control are maintained. Detailed contingency plans are in place for all key sites and these are regularly tested.

Capital expenditure and investments
Procedures exist and authority levels are documented to ensure that capital expenditure is properly appraised and authorised. Cases for all investment projects are reviewed and approved at divisional level. Major investment projects are subject to approval by the Board.

Centralised treasury function
All cash payments and receipts are managed by centralised finance functions within each of the operating companies. Weekly reporting of cash balances to the Group Finance Department ensures the position of the Group, as a whole, is properly controlled. The management of liquidity and borrowing facilities for customer specific requirements, ongoing capital expenditure and working capital of the business is undertaken by the Group Finance Director.

Quality and integrity of staff
The suitability of staff is determined through rigorous recruitment procedures. Management continuously monitors training requirements and annual appraisal procedures are in place to ensure that required standards are maintained. Resource requirements are identified by managers and reviewed by the relevant national Executive Committee.

Internal audit
The Group has an internal audit function led by the Group Internal Audit Manager who reports directly to the Chairman of the Audit Committee.

The Board, acting through the Audit Committee, has directed the work of Internal Audit towards those areas of the business that are considered to be of the highest risk. The Audit Committee approves a rolling audit programme ensuring that all significant areas of the business are independently reviewed within at least a three-year period. The programme and the findings of the reviews are continually assessed to ensure they take account of the latest information and, in particular, the results of the annual review of internal control. The effectiveness of the Internal Audit Department and the Group's risk management programme are reviewed annually by the Audit Committee.

By order of the Board

SJ Benadé
Secretary
10 March 2008

Directors' remuneration report

This report has been prepared by the Remuneration Committee ('the Committee') and approved by the Board. This report complies with the Companies Act 1985 as amended by the Directors' Remuneration Report Regulations 2002.

Remuneration Committee and advisors

All of the independent Non-Executive Directors were members of the Committee throughout 2007, and the attendance of Cliff Preddy (Chairman), Ian Lewis and John Ormerod at Committee meetings can be found in the Corporate Governance statement on page 32. Ron Sandler became a member of the Committee on 10 July 2007 and subsequent to the year-end resigned, effective from 18 February 2008. The Committee's terms of reference are available for public inspection. Directors and employees of the Group who provided material advice or services to the Committee during the year were:

Ron Sandler	Non-Executive Chairman
Mike Norris	CEO
Stephen Benadé	Group Company Secretary

The Committee considers comparative practice in the European technology sector, FTSE techMARK 100 companies and FTSE SmallCap.

Remuneration policy

The Committee reviews and determines, on behalf of the Board, the overall remuneration policy of the Executive Directors, the Chairman and with advice from the Chief Executive Officer, the senior executives. No individual is involved in deciding his own remuneration. The Executive Directors determine the fees for Non-Executive Directors that reflect the time, commitment and responsibilities of their roles.

The Company's remuneration policy is designed to reward Executive Directors with remuneration arrangements that are competitive, but not excessive and which further align the interests of the Directors and shareholders. The policy is designed to ensure that a significant proportion of the total remuneration is dependent upon personal and Group performance, over the fiscal year as well as over extended periods. This is achieved through a combination of base salary and benefits, performance related bonuses, a defined contribution pension scheme and share incentive schemes.

Basic salary and benefits

Each Director's salary is reviewed annually in order to ensure that the basic salary and benefits remain appropriate. During the review, the Committee considers various factors including performance and relevant market practices on pay and conditions affecting the Group generally. For 2007, the Board Chairman made recommendations to the Committee in respect of the Executive Directors, with reference to the above information and by providing an assessment of both their individual performance against specific financial and non-financial goals, and the performance of the Group as a whole. Cliff Preddy, as Committee Chairman, was responsible for an equivalent process in respect of the Chairman's remuneration.

The Executive Directors receive benefits in line with those offered to employees throughout the Group, including the provision of a car allowance, life insurance, permanent health insurance, personal accident insurance and the opportunity to participate in the Group's Save as You Earn scheme (SAYE) and flexible benefits scheme (Benefits Choice).

Performance-related bonus scheme

The Executive Directors participate in an annual performance-related bonus scheme which has a maximum threshold of 75% of base salary. This has been reviewed by the Committee and it was agreed that the maximum would remain at 75% of base salary. Any bonus payable is dependent on the achievement of specific objectives that are designed to be challenging, in order to enhance shareholder value. Of the award for 2007, 40% was linked to the financial performance of the Group against a pre-agreed target, with the balance related to the achievement of specific personal objectives agreed with each Director, for the year, by the Chairman and approved by the Committee. For 2007, Mike Norris earned £235,000 (2006: £144,900) representing 66% of the maximum and Tony Conophy earned £142,000 (2006: £97,875) representing 63% of the maximum.

Pension

The Executive Directors participate in the Computacenter Pension Scheme, a defined contribution salary sacrifice scheme, under which a maximum annual Company contribution of £5,400 per employee is payable, based on basic salary. The scheme also allows employees to make additional salary sacrifices, which the Company may contribute to the scheme on their behalf.

The main elements of Executive Directors' Remuneration are shown below:

	Fixed	Performance based	
Element:	Basic salary	Bonus	Performance Share Plan
Maximum Award:		75% of base salary	100% of base salary
Purpose:	Reflects competitive salary levels and takes account of personal contribution and performance	Rewards the delivery of Group operational performance and achievement of personal objectives	Improved motivation for senior executives to contribute to growth and profitability and better align the Company's incentive arrangements with shareholders' interests
Performance Standard:	Individual contribution	Specific individual targets approved by the Remuneration Committee each year	EPS growth, relative to RPI

Share incentive schemes

Share incentive schemes are considered to be an important part of the executive remuneration policy, designed to support management retention and motivation, whilst aligning senior management's interests with those of shareholders.

The details of the historical grants and associated performance conditions are set out in the table of Directors' interests in share options on pages 38 to 39.

Performance Share Plan

The Performance Share Plan 2005 (PSP) is the Company's primary long term incentive scheme for senior employees. The Committee makes grants under this scheme once a year, although further grants may be made in appropriate circumstances.

The maximum value of shares that are normally awarded under the plan to an employee in a financial year, is 1x base salary. This limit can be exceeded in exceptional circumstances, up to an absolute maximum of 2x base salary. The Committee have agreed that awards made to the Executive Directors will be in the range of 0.75 to 1x base salary.

All awards under this plan are subject to performance conditions, as detailed below:

For 2007, the PSP performance target was based on the Group's annual adjusted earning per share (EPS) growth in relation to the retail price index (RPI) and measured over a three-year period, except in France, where a two-year measurement period applies, with a further condition that the shares are held for an additional two-year holding period, in order to gain favourable tax treatment. No shares subject to awards will vest if cumulative annual growth is less than RPI plus 3%. One quarter of the shares will vest at RPI plus 3%. Awards will vest in full if the Group's cumulative annual growth is at or above RPI plus 7.5%. If the Group's EPS growth over the period is between 3% and 7.5% above RPI, awards will vest on a straight-line basis. There will be no retesting of the performance target.

EPS has been chosen as a performance measure that is widely used and is considered a transparent yardstick. EPS is calculated on a pre-exceptional, diluted basis.

The Committee has reviewed the performance criteria in order to ensure that these are sufficiently challenging, in light of market expectations and in comparison to market practice. It has been agreed that the performance conditions for PSPs granted in 2008 will remain the same.

Share options

At the 2007 Annual General Meeting, shareholders approved the Computacenter Employee Share Option Scheme 2007 ('the Scheme'). As the PSP is the primary long-term incentive scheme, the Committee intends that the scheme be used in select circumstances only. During 2007 one participant received a grant of options under this scheme and a grant of options under the previous option scheme (the Computacenter Employee Share Option Scheme 1998) was also made, to a total of five participants. No such options were granted to the Executive Directors in 2007; however the Executive Directors have historically been awarded share options under the Company's previous share option schemes and details of these grants can be found in the table of Directors' interests in share options on pages 38 to 39.

The maximum number of options that can be awarded under the scheme will remain 3x base salary, although this can be exceeded in exceptional circumstances. Should grants be made to Executive Directors, a maximum of 1.25x base salary will remain the Company guideline.

Should further grants be made under the scheme in 2008, any applicable performance conditions will be subject to review by the Committee, bearing in mind prevailing conditions, plans and objectives.

Dilution limits

The Company uses a mixture of both new issue and market purchase shares to satisfy awards under both the option and PSP schemes, with the SAYE scheme currently being satisfied by new issue shares. In line with best practice, the use of new issue or treasury shares to satisfy awards made under all share schemes is restricted to 10% in any 10 year rolling period, with a further restriction for discretionary schemes of 5% in the same period. As at the year-end, the potential dilution from awards under all share plans was approximately 6.87% and the potential dilution from awards under the discretionary schemes was approximately 2.96%.

Directors' remuneration report continued

Directors' contracts

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

No contractual arrangements are in place that guarantee additional payments upon termination of employment by the Company. All service contracts provide for summary termination in the event of gross misconduct.

The Non-Executive Directors do not have service contracts with the Company. They each operate under a letter of appointment that sets out their terms, duties and responsibilities. Non-Executive Directors are appointed for an initial term, which runs to the conclusion of the third Annual General Meeting, following their appointment and may be renewed at that point for a further three-year term.

All Directors must offer themselves for re-election by shareholders in general meeting at least every three years, in accordance with the Company's Articles of Association.

Directors' contracts

Director	Contract/letter of appointment start date	Expiry date	Unexpired term (months)[2] as at 10 March 2008	Notice period (months)
Executive:				
Mike Norris	23/04/1998	n/a	none specified	12
Tony Conophy	23/04/1998	n/a	none specified	12
Non-Executive:				
Ron Sandler[1]	10/07/2007	n/a	n/a	n/a
Philip Hulme	05/05/2006	2009 AGM	14	3
Ian Lewis	15/06/2006	2009 AGM	14	3
Peter Ogden	05/05/2006	2009 AGM	14	3
John Ormerod	31/10/2006	2009 AGM	14	3
Cliff Preddy	28/04/2005	2008 AGM	2	12

1 Ron Sandler resigned from the Board on 18 February 2008.
2 Calculated as at 10 March 2008 and assuming that future AGMs will be held in May each year, and assumes re-election where required to retire at earlier AGMs in accordance with the Company's Articles of Association.

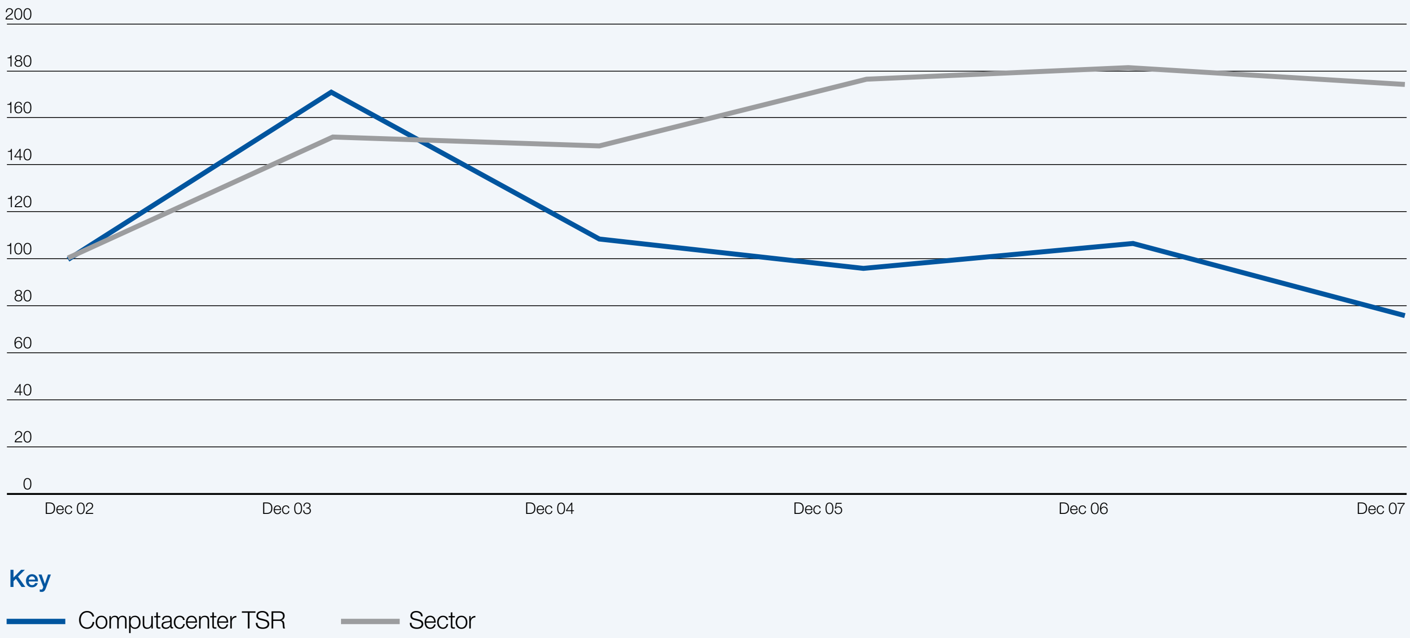
Performance graph

The performance of the Group over the last five financial years in relation to other relevant UK-quoted shares is shown in the graph below.

Computacenter's shares are quoted on the London Stock Exchange and the Committee has deemed the FTSE Software & Computer Services share index as the appropriate comparator, against which to assess Total Shareholder Return performance.

Total Shareholder Return performance

Computacenter versus FTSE Software and Computer Services sector



Audited information

The Directors' remuneration and Directors' interests in share options tables below, and their associated notes, are subject to audit.

Directors' remuneration

	Basic salary and fees £	Performance related bonuses £	Other £	**Total 2007 £**	Total 2006 £
Executive:					
Mike Norris	475,000	235,000	–	**710,000**	604,825
Tony Conophy	314,382	142,000	–	**456,382**	398,961
Non-Executive:					
Ron Sandler	231,667[1]	–	145,534[2]	**377,201**	277, 949
Nick Cosh[3]	–	–	–	**–**	37,750
Philip Hulme[4]	20,400	–	–	**20,400**	33,000
Ian Lewis	34,000	–	–	**34,000**	17,981
Peter Ogden	34,000	–	–	**34,000**	33,000
John Ormerod	47,000[5]	–	–	**47,000**	7,758
Cliff Preddy	39,500[6]	–	–	**39,500**	46,750
	1,195,949	377,000	145,534	**1,718,483**	1,457,974

1 Ron Sandler served as an Executive Chairman until 10 July 2007 when he then became a Non-Executive Chairman and his remuneration was adapted accordingly; on 18 February 2008 Ron Sandler resigned from the Board.
2 The termination of Ron Sandler's executive role, on 10 July 2007, resulted in a payment in lieu of notice.
3 Nick Cosh resigned from the Board on 28 June 2006.
4 Philip Hulme was paid per meeting he attended during 2007.
5 John Ormerod receives an additional annual fee of £13,000 for his services as Chairman of the Audit Committee.
6 Cliff Preddy receives an additional annual fee of £5,500 for his services as Chairman of the Remuneration Committee.

Directors' remuneration report continued

Interests in share options and shares under the PSP plan

Director	Scheme type	Exercise/ share price (p)	Exercise dates	Note	At 1 January 2007	Granted during the year	Exercised during the year	Lapsed	At 31 December 2007
Ron Sandler	Options	333.50	20/03/2004 – 19/03/2011	1	150,000	–	–	–	150,000
		333.50	20/03/2005 – 19/03/2011	1	150,000	–	–	–	150,000
		333.50	20/03/2006 – 19/03/2011	1	200,000	–	–	–	200,000
		322.00	10/04/2005 – 09/04/2012	3	91,226	–	–	–	91,226
		266.50	21/03/2006 – 20/03/2013	5	117,260	–	–	–	117,260
		266.50	21/03/2007 – 20/03/2013	5	200,000	–	–	–	200,000
		424.00	02/04/2007 – 01/04/2014	6	76,650	–	–	–	76,650
Total (Options)					985,136	–	–	–	985,136
	PSP	245.00	01/04/2009	7	109,351	–	–	–	109,351
	PSP	285.25	01/04/2010	8	–	94,004	–	–	94,004
Total (PSPs)					109,351	94,004	–	–	203,355
Mike Norris		322.00	10/04/2005 – 09/04/2012	3	122,670	–	–	–	122,670
		266.50	21/03/2006 – 20/03/2013	5	194,652	–	–	–	194,652
		395.00	01/12/2008 – 31/05/2009	2	4,012	–	–	–	4,012
		424.00	02/04/2007 – 01/04/2014	6	126,768	–	–	–	126,768
Total (Options)					448,102	–	–	–	448,102
	PSP	245.00	01/04/2009	7	181,500	–	–	–	181,500
	PSP	285.25	01/04/2010	8	–	156,026	–	–	156,026
Total (PSPs)					181,500	156,026	–	–	337,526
Tony Conophy		322.00	10/04/2005 – 09/04/2012	1,4	9,316	–	–	–	9,316
		322.00	10/04/2005 – 09/04/2012	3	66,770	–	–	–	66,770
		266.50	21/03/2006 – 20/03/2013	5	121,951	–	–	–	121,951
		395.00	01/12/2006 – 31/05/2007	2	2,335	–	–	2,335	–
		424.00	02/04/2007 – 01/04/2014	6	79,599	–	–	–	79,599
		178.00	01/12/2012 – 31/05/2013	2	–	9,438	–	–	9,438
Total (Options)					279,971	9,438	–	2,335	287,074
	PSP	245.00	01/04/2009	7	117,861	–	–	–	117,861
	PSP	285.25	01/04/2010	8	–	101,319	–	–	101,319
Total (PSPs)					117,861	101,319	–	–	219,180

The Company's Non-Executive Directors are not permitted to participate in any of the Company's employee share schemes; however at the year-end Ron Sandler as a former Executive Director, held both outstanding share options and shares under Computacenter share schemes, as detailed above. Ron Sandler resigned from the Board on 18 February 2008.

Notes:
1 Issued under the terms of the Computacenter Employee Share Option Scheme 1998.
2 Issued under the terms of the Computacenter Sharesave Plus Scheme, which is available to all employees and full time Executive Directors of the Computacenter Group.
3 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Group's earnings per share (on a post-investment in the Biomni joint venture, diluted basis) compared to the base year of 2001, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2004, 2005 or 2006 respectively.
4 Exercisable on the condition that the average annual compound growth in the Group's earnings per share (on a post-investment in the Biomni joint venture, diluted basis) compared to the base year of 2001, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2004, 2005 or 2006 respectively.
5 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Group's earnings per share (on a post-investment in the Biomni joint venture, diluted basis) compared to the base year of 2002, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2005, 2006 or 2007 respectively.
6 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Group's earnings per share (on a post-investment in the Biomni joint venture, diluted basis) compared to the base year of 2003, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2006, 2007 or 2008 respectively.
7 Issued under the terms of the Computacenter Performance Share Plan 2005. One quarter of the shares will vest if the average annual compound growth in the Group's earnings per share is at least equal to RPI plus 3% over the three consecutive financial years starting on 1 January 2006 and ending on 31 December 2008, compared to the base year of 2005. Awards will vest in full if the Group's cumulative annual growth is at or above RPI plus 7.5%. If the Group's earnings per share growth over the period is between 3% and 7.5% above RPI, awards will vest on a straight-line basis.
8 Issued under the terms of the Computacenter Performance Share Plan 2005. One quarter of the shares will vest if the average annual compound growth in the Group's earnings per share is at least equal to RPI plus 3% over the three consecutive financial years starting on 1 January 2007 and ending on 31 December 2009, compared to the base year of 2006. Awards will vest in full if the Group's cumulative annual growth is at or above RPI plus 7.5%. If the Group's earnings per share growth over the period is between 3% and 7.5% above RPI, awards will vest on a straight-line basis.

The market price of the ordinary shares at 31 December 2007 was 189.25p. The highest price during the year was 302.25p and the lowest was 155.25p.

SJ Benadé
Secretary
10 March 2008

Directors' report

The Directors present their report and the audited financial statements of Computacenter plc and its subsidiary companies ('the Group') for the year ended 31 December 2007.

Principal activities

The Company is a holding company. The principal activities of the Group, of which it is the parent, are the supply, implementation, support and management of information technology systems.

Business review

The Companies Act 1985 requires the Group to prepare a business review which can be found on pages 6 to 27 and as such should be considered part of the Directors' report. The review includes information about the Group's operations, financial performance throughout the year and likely developments, key performance indicators, principal risks and information regarding the Group's sustainable development.

Results and dividends

The Group's activities resulted in profit before tax of £42.1 million (2006: £32.9 million). The Group profit for the year available to shareholders amounted to £28.9 million (2006: £18.9 million).

The Directors recommend a final dividend for the year of £8.0 million (2006: £7.9 million). Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders. As such, the amount recognised in the 2007 accounts, as described in note 11, is made up of last year's final dividend and the interim dividend of this year.

The final ordinary dividend for 2007, if approved, will be paid on 12 June 2008 to those shareholders on the register as at 16 May 2008. The Company paid an interim dividend of £3.9 million on 19 October 2007.

Post balance sheet event

The post balance sheet event is disclosed in note 31 of the accounts. Further details of the share repurchase programme can also be found overleaf, under 'Capital Structure'.

Directors

The Directors who served during the year ended 31 December 2007, were Tony Conophy, Philip Hulme, Ian Lewis, Mike Norris, Peter Ogden, John Ormerod, Cliff Preddy and Ron Sandler. Brief biographical details of the Directors, at the date of this report, are given on pages 28 and 29.

Tony Conophy will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer himself for re-election. Philip Hulme and Peter Ogden, having served as Directors for more than nine years, will retire and offer themselves for re-election at the Annual General Meeting ('AGM').

The Company's Articles of Association provide for a Board of Directors consisting of not fewer than three but not more than 20 Directors, who manage the business and affairs of the Company. The Directors may appoint additional or replacement Directors, who shall serve until the next AGM of the Company at which point they will be required to stand for election by the members. At each AGM one-third of the Directors are required to retire by rotation and they may stand for re-election. A Director may be removed from office at a general meeting by the passing of an Ordinary Resolution (provided special notice has been given).

Members have previously approved a Resolution to give the Directors authority to allot shares and a renewal of this authority is proposed at the 2008 AGM. This authority allows the Directors to allot shares up to the maximum amount stated in the Notice of AGM (approximately one-third of the issued share capital) and this authority would generally expire at the following AGM. In addition, the Company may not allot shares for cash (unless pursuant to an employee share scheme) without first making an offer to existing shareholders in proportion to their existing holdings. This is known as pre-emption rights. A Resolution to allow a limited dis-application of these pre-emption rights has been passed by the members previously and a renewal of this authority is proposed for the 2008 AGM. This authority is also restricted to a specific amount (as detailed in the Notice of AGM), which is approximately 5% of the issued share capital. This authority generally expires at the conclusion of the following AGM.

The Company may only amend its Articles of Association by passing a special Resolution in general meeting. A Resolution to adopt new Articles of Association is being proposed at the 2008 AGM and full details can be found in the accompanying Notice of AGM.

Directors' interests in shares

The interests of the Directors in the share capital of the Company at the beginning and end of the year are set out below:

	At 31 December 2007		At 1 January 2007 or as at date of appointment	
	Number of ordinary shares Beneficial	**Number of ordinary shares Non-beneficial**	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial
Executive:				
Mike Norris	**1,204,158**	**–**	1,059,386	–
Tony Conophy	**1,758,505**	**–**	1,468,962	–
Non-Executive:				
Ron Sandler	**62,500**	**–**	62,500	–
Philip Hulme	**19,291,770**	**9,143,921**	20,814,412	8,143,921
Ian Lewis	**30,000**	**–**	5,000	–
Peter Ogden	**35,335,636**	**979,166**	35,335,636	979,166
John Ormerod	**5,000**	**–**	5,000	–
Cliff Preddy	**4,166**	**–**	4,166	–

Between 31 December 2007 and 10 March 2008 there has been one change to the interests detailed above. As at 10 March 2008 Tony Conophy's total beneficial holding was 2,058,044 ordinary shares.

Major interests in shares

In addition to the Directors' interests set out above, as at 10 March 2008, the Company had been notified, in accordance with the Financial Services Authority's Disclosure and Transparency Rules, of the following substantial interests in the Company's issued ordinary share capital.

	Number of ordinary shares held	% of issued share capital
Fidelity International Ltd (Indirect)	9,601,943	6.01
Lloyds TSB Group Plc (Indirect)	5,381,288	3.37
Legal & General Group Plc (Direct)	6,452,726	4.05

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the year and these remain in force at the date of this report.

Capital structure

As at 10 March 2008 there were 155,049,920 fully paid ordinary shares in issue, all of which have full voting rights and there are no restrictions on the transfer of shares.

Pursuant to the Company's share schemes, there are three employee trusts which, as at the year-end, held a total of 6,550,041 ordinary shares of 6p, representing 4.14% of the issued share capital. The voting rights attaching to these shares are not exercisable directly by the employees, but are exercisable by the Trustees. However, in line with good practice, the Trustees do not exercise these voting rights.

In the event of another company taking control of the Company, the employee share schemes operated by the Company have set change of control provisions. In short, participants may, in certain circumstances, be allowed to exchange their options for options of equivalent value over shares in the acquiring company. Alternatively the options may vest early, in the case of early vesting under the executive schemes the awards will be pro-rated accordingly and under the Sharesave scheme employees will only be able to exercise the option, to the extent of their accumulated vesting.

The Company was given authority at the 2007 AGM to make market purchases of up to 15,957,832 ordinary shares of 6p. This authority will expire at the 2008 AGM, where approval from shareholders will be sought to renew the authority. During 2007, 1,483,995 ordinary shares of 6p were purchased for cancellation, at a total cost of £2.5 million. This represented 0.93% of the issued share capital of the Company. During the period 1,423,995 shares were cancelled with the balance being cancelled after the year-end. The share re-purchase programme is continuing into 2008 and as at 10 March 2008 a further 3,537,600 ordinary shares have been re-purchased for a total cost of £6.05 million. This, together with the re-purchases made during 2007 represents 3.14% of the issued share capital of the Company.

Creditors payment policy

The Company does not hold any trade creditor balances. However, it is the policy of the Group that each of the businesses should agree appropriate terms and conditions with suppliers (ranging from standard written terms to individually negotiated contracts) and that payment should be in accordance with those terms and conditions, provided that the supplier has also complied with them. Group creditor days amounted to 42 (2006: 40).

Financial instruments

The Group's financial risk management objectives and policies are discussed in the Finance Director's Review on pages 16 to 19.

Employee share schemes

The Company operates executive share option schemes and a performance-related option scheme for the benefit of employees. During the year, 670,400 options over ordinary shares of 6p were granted under the executive share option schemes (2006: 2,819,600). At the year-end options remained outstanding under these schemes in respect of a total of 6,786,041 ordinary shares of 6p each (2006: 7,272,724 ordinary shares). During the year, options over 230,900 shares were exercised and options over 926,183 shares lapsed.

The Company also operates a Performance Share Plan (PSP) to incentivise employees. During the year 1,140,160 ordinary shares of 6p were conditionally awarded (2006: 1,571,604). At the year-end 2,530,077 shares remained outstanding under this scheme. During the year, awards over 64,402 shares were transferred to participants and awards over 79,619 shares lapsed.

In addition, the Company continues to operate a Sharesave scheme for the benefit of employees. At the year-end 4,164,980 (2006: 2,569,669) options granted under the Sharesave scheme remained outstanding.

Corporate social responsibility

The Board recognises that acting in a socially responsible way benefits the community, our customers, shareholders, the environment and employees alike. Further information can be found in the Corporate Sustainable Development Report on pages 21 to 24.

Health, safety and environment

It remains the policy of the Group that each business maintains the high standards necessary to safeguard the health and safety of its employees, customers, contractors and the public. This commitment is formally contained in the Health and Safety Policy Statement, which is available from the Company's website at www.computacenter.com/corporate-responsibility or upon request. The Group's Health, Safety and Environment (HSE) Department monitors and reviews all procedures and policies, utilising the advice of external consultants, where necessary, in order to ensure the management systems comply with current legal requirements. The health, safety and environment management system in the UK remains registered with UVDB Verify with annual audits conducted to ensure conformance. In Germany, the health and safety procedures have been ISO 18001 certified, and the environment management systems (EMS), additionally remain ISO 14001:2004 certified, with the BSI conducting bi-annual audits at all key locations in the UK and TUV verifying this certification in Germany. Further objectives in relation to the maintenance of appropriate health, safety and environment standards, are detailed in the Corporate Sustainable Development Report on pages 21 to 24.

Employee involvement

Computacenter remains committed to involving all employees in significant business issues, particularly matters which affect their work and working environment. Initiatives in this regard are further detailed in the Corporate Sustainable Development Report on pages 21 to 24. Employee involvement is undertaken through a variety of methods including team briefings, intranet, electronic mail and in-house publications. The primary method is through team briefings where managers are tasked with ensuring that information sharing, discussion and feedback happen on a regular basis. Employee Consultative Forums exist in each country to consult staff on major issues affecting employment and matters of policy and to enable management to seek the views and opinions of employees,

Directors' report continued

on a wide range of business matters. Should there be trans-national issues to discuss, a facility exists to engage a European Forum made up of representatives from country Forums.

Employee opinion surveys are conducted every two or three years in the UK, Germany and France by external research companies, to seek employees' views on a wide range of subjects. Programmes of work resulting from the feedback are agreed at country level and executed locally involving both management and employees.

Equal opportunities
The Group takes the issues of equality and diversity very seriously and is committed to equal opportunities, monitoring and regularly reviewing policies and practices to ensure that it meets current legislative requirements as well as Computacenter's own internal standards. No employee or potential employee receives less favourable treatment or consideration on grounds of race, national or ethnic origin, gender, age, disability, sexual orientation or marital status. The Group is committed to making full use of the talents and resources of all its employees and providing a healthy environment that encourages good and productive working relationships within the organisation. Policies dealing with equal opportunities are in place in all parts of the Group, which take account of the Group's overall commitment and also addresses local regulatory requirements. The HR Department monitors and reports to the Board on developments in regulation and practice in the various jurisdictions where the Group companies operate, thereby ensuring that appropriate action can be taken to ensure compliance.

Performance and personal development
The Group is committed to the development of its employees through a regular performance review process. Managers are responsible for setting and reviewing personal objectives aligned to corporate and functional goals, reviewing performance against behavioural standards appropriate to job level, agreeing appropriate training and development interventions, and discussing career aspirations. The Group Executive Committee has overall responsibility for monitoring management development and ensuring that the required skills are available to meet the current and future management needs of the Group. At divisional and functional level, review processes exist to ensure that there is breadth and depth of management talent throughout the business.

Computacenter's reward strategy is reviewed regularly and continues to emphasise performance-related pay, particularly for more senior managers, with bonus payments aligned to financial performance.

In 2005, the UK business was awarded Investors in People status and remains committed to these principles.

Workplace
International human rights obligations and international employment laws are met through a broad range of policies across the Group. These ensure that, for example, employees are not subject to discrimination, arbitrary or unjust dismissal or unjust application of wage rates. Appropriate employee benefit programmes exist across the Group and initiatives in this regard, are further highlighted in the Corporate Sustainable Development Report on pages 21 to 24.

Business ethics
An ethics policy is operated by the Group, which commits Computacenter employees to the highest standards of ethical behaviour in respect of customers, suppliers, colleagues and other stakeholders in the business. The policy includes a requirement for all employees to report abuses or non-conformance with the policy ('whistle-blowing') and sets out the procedures to be followed.

Community relations and charity activities
The Group supports community and charitable projects as part of its commitment to corporate social responsibility and encourages its employees to support such projects. It also organises and supports ad hoc charitable fundraising events. In addition, the donation of IT equipment to schools and other charitable causes is a feature of the Group's recycling programmes. In 2007 the Group made charitable donations amounting to £50,000.

Going concern
The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' responsibilities in relation to the financial statements
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable company law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the results and cash flows of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group or Company will continue in its business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence, taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a Director at the date of approval of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all steps a Director might reasonably be expected to have taken, to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution approving the re-appointment of Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming AGM.

By order of the Board

Stephen Benadé

SJ Benadé
Secretary
10 March 2008

Independent auditors' report to the shareholders of Computacenter plc

We have audited the Group financial statements of Computacenter plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 31. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Computacenter plc for the year ended 31 December 2007 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Executive Summary, Operating Statement, Risk Management Report, Corporate Sustainable Development Report, Finance Directors' Review, Corporate Governance Statement, the Directors' Report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the Group financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Luton
10 March 2008

Consolidated income statement
For the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Revenue	3	**2,379,141**	2,269,903
Cost of sales		**(2,053,333)**	(1,974,437)
Gross profit		**325,808**	295,466
Distribution costs		**(18,344)**	(19,075)
Administrative expenses		**(263,750)**	(242,773)
Operating profit:	4		
Before amortisation of acquired intangibles and exceptional items		**43,714**	33,618
Amortisation of acquired intangibles		**(613)**	(46)
Operating profit before exceptional items		**43,101**	33,572
Impairment of non-current assets	5	**–**	(2,606)
Redundancy costs	5	**–**	(2,425)
Operating profit		**43,101**	28,541
Finance revenue	7	**3,910**	6,677
Finance costs	8	**(4,952)**	(2,289)
Profit before tax:			
Before amortisation of acquired intangibles and exceptional items		**42,672**	38,006
Amortisation of acquired intangibles		**(613)**	(46)
Profit before tax before exceptional items		**42,059**	37,960
Impairment of non-current assets	5	**–**	(2,606)
Redundancy costs	5	**–**	(2,425)
Profit before tax		**42,059**	32,929
Income tax expense	9	**(13,161)**	(13,994)
Profit for the year		**28,898**	18,935
Attributable to:			
Equity holders of the parent	10	**28,888**	18,927
Minority interests		**10**	8
		28,898	18,935
Earnings per share	10		
– basic for profit for the year		**18.5p**	11.0p
– diluted for profit for the year		**18.2p**	10.9p

Consolidated balance sheet
As at 31 December 2007

	Notes	2007 £'000	2006 £'000
Non-current assets			
Property, plant and equipment	12	**116,444**	84,874
Intangible assets	13	**45,185**	9,945
Deferred income tax asset	9	**8,190**	6,166
		169,819	100,985
Current assets			
Inventories	16	**110,535**	94,586
Trade and other receivables	17	**454,155**	427,319
Prepayments		**27,936**	28,729
Accrued income		**33,445**	21,706
Forward currency contracts		**–**	111
Cash and short-term deposits	18	**29,211**	77,882
		655,282	650,333
Total assets		**825,101**	751,318
Current liabilities			
Trade and other payables	19	**336,971**	315,846
Deferred income		**74,686**	77,714
Financial liabilities	20	**74,363**	55,736
Forward currency contracts		**369**	–
Income tax payable		**7,899**	8,394
Provisions	22	**2,180**	2,132
		496,468	459,822
Non-current liabilities			
Financial liabilities	20	**34,652**	11,362
Provisions	22	**12,225**	12,839
Other non-current liabilities		**1,685**	917
Deferred income tax liabilities	9	**1,875**	1,249
		50,437	26,367
Total liabilities		**546,905**	486,189
Net assets		**278,196**	265,129
Capital and reserves			
Issued capital	25	**9,504**	9,571
Share premium	25	**2,890**	2,247
Capital redemption reserve	25	**74,627**	74,542
Own shares held	25	**(11,380)**	(2,503)
Foreign currency translation reserve	25	**1,507**	(2,455)
Retained earnings		**201,035**	183,700
Shareholders' equity		**278,183**	265,102
Minority interest		**13**	27
Total equity		**278,196**	265,129

Approved by the Board on 10 March 2008

MJ Norris
Chief Executive

FA Conophy
Finance Director

Consolidated statement of changes in equity
For the year ended 31 December 2007

	Attributable to equity holders of the parent								
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
At 1 January 2006	**9,505**	**74,680**	**100**	**(2,503)**	**(1,757)**	**250,630**	**330,655**	**19**	**330,674**
Exchange differences on retranslation of foreign operations	–	–	–	–	(698)	–	(698)	–	(698)
Net expenses recognised directly in equity	–	–	–	–	(698)	–	(698)	–	(698)
Profit for the year	–	–	–	–	–	18,927	18,927	8	18,935
Total recognised income and expenses for the year	–	–	–	–	(698)	18,927	18,229	8	18,237
Cost of share-based payment	–	–	–	–	–	1,411	1,411	–	1,411
Exercise of options	66	2,317	–	–	–	–	2,383	–	2,383
Bonus issue	74,442	(74,442)	–	–	–	–	–	–	–
Expenses on bonus issue	–	(308)	–	–	–	–	(308)	–	(308)
Share redemption	(74,442)	–	74,442	–	–	(73,886)	(73,886)	–	(73,886)
Expenses on share redemption	–	–	–	–	–	(56)	(56)	–	(56)
Equity dividends	–	–	–	–	–	(13,326)	(13,326)	–	(13,326)
	66	(72,433)	74,442	–	(698)	(66,930)	(65,553)	8	(65,545)
At 31 December 2006	**9,571**	**2,247**	**74,542**	**(2,503)**	**(2,455)**	**183,700**	**265,102**	**27**	**265,129**
At 1 January 2007	**9,571**	**2,247**	**74,542**	**(2,503)**	**(2,455)**	**183,700**	**265,102**	**27**	**265,129**
Exchange differences on retranslation of foreign operations	–	–	–	–	3,962	–	3,962	–	3,962
Net income recognised directly in equity	–	–	–	–	3,962	–	3,962	–	3,962
Profit for the year	–	–	–	–	–	28,888	28,888	10	28,898
Total recognised income for the year	–	–	–	–	3,962	28,888	32,850	10	32,860
Cost of share-based payment	–	–	–	–	–	2,659	2,659	–	2,659
Exercise of options	18	643	–	49	–	–	710	–	710
Purchase of own shares	–	–	–	(11,332)	–	–	(11,332)	–	(11,332)
Cancellation of own shares	(85)	–	85	2,406	–	(2,406)	–	–	–
Equity dividends	–	–	–	–	–	(11,806)	(11,806)	–	(11,806)
Acquisition of minority interests	–	–	–	–	–	–	–	(24)	(24)
	(67)	643	85	(8,877)	3,962	17,335	13,081	(14)	13,067
At 31 December 2007	**9,504**	**2,890**	**74,627**	**(11,380)**	**1,507**	**201,035**	**278,183**	**13**	**278,196**

Consolidated cash flow statement
For the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Operating activities			
Operating profit		**43,101**	28,541
Adjustments to reconcile Group operating profit to net cash inflows from operating activities			
Depreciation		**27,130**	14,585
Amortisation		**3,547**	1,907
Share-based payment		**2,659**	1,411
Impairment of property, plant and equipment		**–**	2,492
Loss on disposal of property, plant and equipment		**190**	353
Impairment of intangible assets		**86**	114
Loss on disposal of intangible assets		**–**	9
Dividend received from associate		**–**	202
(Increase)/decrease in inventories		**(8,724)**	4,560
Increase in trade and other receivables		**(1,470)**	(35,498)
(Decrease)/increase in trade and other payables		**(19,976)**	6,895
Currency and other adjustments		**(218)**	5
Cash generated from operations		**46,325**	25,576
Income taxes paid		**(13,853)**	(11,994)
Net cash flow from operating activities		**32,472**	13,582
Investing activities			
Interest received		**3,885**	6,600
Acquisition of subsidiaries, net of cash acquired		**(32,600)**	–
Sale of property, plant and equipment		**336**	24
Purchases of property, plant and equipment		**(8,620)**	(7,504)
Purchases of intangible assets		**(5,619)**	(2,499)
Acquisition of minority interests		**(30)**	–
Sale of interest in associate		**–**	364
Net cash flow from investing activities		**(42,648)**	(3,015)
Financing activities			
Interest paid		**(5,333)**	(2,152)
Dividends paid to equity shareholders of the parent		**(11,806)**	(13,326)
Proceeds from share issues		**661**	2,383
Purchase of own shares		**(11,332)**	–
Repayment of capital element of finance leases		**(12,195)**	(2,629)
Repayment of loans		**(11,103)**	(5,527)
New borrowings		**19,832**	12,447
Return of capital		**–**	(74,442)
Expenses on return of capital		**–**	(365)
Decrease in factor financing		**(8,743)**	(1,377)
Net cash flow from financing activities		**(40,019)**	(84,988)
Decrease in cash and cash equivalents		**(50,195)**	(74,421)
Effect of exchange rates on cash and cash equivalents		**(1,521)**	492
Cash and cash equivalents at the beginning of the year	18	**58,982**	132,911
Cash and cash equivalents at the year end	18	**7,266**	58,982

Analysis of changes in net funds

	At 1 January 2007 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2007 £'000
Cash and cash equivalents	58,982	(50,195)	–	(1,521)	**7,266**
Factor financing	(29,549)	8,743	–	(2,647)	**(23,453)**
Net funds/(debt) prior to customer-specific financing	29,433	(41,452)	–	(4,168)	**(16,187)**
Finance leases	(11,403)	12,195	(47,768)	(666)	**(47,642)**
Other loans	(7,246)	(8,729)	–	–	**(15,975)**
Net funds/(debt)	10,784	(37,986)	(47,768)	(4,834)	**(79,804)**

Notes to the consolidated financial statements
For the year ended 31 December 2007

1 Authorisation of financial statements and statement of compliance with IFRS
The consolidated financial statements of Computacenter plc for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Directors on 10 March 2008. The balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2007 and applied in accordance with the Companies Act 1985.

2 Summary of significant accounting policies
Basis of preparation
The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Computacenter plc and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using existing GAAP in each country of operation. Adjustments are made to translate any differences that may exist between the respective local GAAPs and IFRS.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions that are recognised in assets, 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.

Minority 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.

Changes in accounting policy and disclosures
The accounting policies adopted are consistent with those of the previous financial year except as described below:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these standards did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures:

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. Whilst there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements
The amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 24.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions
The Group has elected to early adopt IFRIC Interpretation 11 as of January 2007, insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme.

New standards and interpretations not applied
During the year, the IASB and IFRIC have issued the following standards and interpretations which are expected to have implications for the reporting of the financial position or performance of the Group or which will require additional disclosures in future financial years:

IFRS 8 Operating Segments
This standard is effective for financial years beginning on or after 1 January 2009 which is when the Group will adopt the requirements of the standard. IFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (geographical) and secondary (business) reporting segments of the Group.

Critical judgements and estimates
The preparation of the Group's financial statements requires management to make judgements on how to apply the Group's accounting policies and make estimates about the future. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

Critical judgements and estimates that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year relate to :

- revenue recognition where, on a limited number of support and managed services contracts, an estimate of the total contract costs is required to determine the stage of completion;
- impairment of intangible assets and goodwill;
- recognition of deferred tax assets in respect of losses carried forward, which are dependent upon estimates of future profitability of certain Group companies; and
- other estimated tax positions, where the decisions of tax authorities are uncertain.

Further information is provided within this note summarising significant accounting policies, and notes 9 and 14 to the financial statements.

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 7 years and period to expiry of lease
Fixtures and fittings	
– Head office	5–15 years
– Other	shorter of 7 years and period to expiry of lease
Office machinery, computer hardware	2–15 years
Motor vehicles	3 years

2 Summary of significant accounting policies continued

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

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 or 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 income statement on a straight-line basis over the lease term.

Intangible assets

Software and software licences

Software and software licences includes 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 straight-line basis over the estimated useful life of 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.

Other intangible assets

Intangible assets acquired as part of a business are carried initially at fair value. Following initial recognition, the historic cost model is applied; with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. 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	Period to the end of the acquired contract
Existing customer relationships	10 years
Tools and technology	7 years

Trademarks are not amortised. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Business combinations on or after 1 January 2004 are accounted for under IFRS 3 using the purchase 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 balance sheet as goodwill and is not amortised.

Goodwill recognised on acquisitions prior to 1 January 2004, the date of transition to IFRS, is recorded at its amortised cost at transition to IFRS and is no longer amortised. Any goodwill asset 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 cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of.

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. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 income statement in those expense categories consistent with the function of the impaired asset.

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.

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.

Trade and other receivables

Trade receivables, which generally have 30–90 day 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.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts where a right of set-off exists.

Interest-bearing borrowings

All borrowings are initially recognised at fair value less directly attributable transaction costs. Borrowing costs are recognised as an expense when incurred.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

De-recognition 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;
- 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 or cancelled or expires.

Derivative financial instruments

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. Forward contracts are initially recognised at fair value on the date that the contract is entered into and are subsequently re-measured 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.

Any gains or losses arising from changes in fair value on forward contracts are taken directly to the income statement.

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 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 overseas subsidiaries are Euro (€) and US Dollar (US$). 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 income statements are translated at the average exchange rates for the year. Since 1 January 2004, the date of transition to IFRS, exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Provisions

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.

Taxation

Current tax

Current tax assets and liabilities for the current and prior periods 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.

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 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 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 equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

2 Summary of significant accounting policies continued

VAT

Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- trade receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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, excluding discounts and rebates given to customers, VAT and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognised:

Product

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods.

Professional Services

Revenue is recognised when receivable under a contract following delivery of a service or in line with the stage of work completed.

Support and Managed Services

Contracted service revenue is recognised on a percentage of completion basis. Usually revenue is recognised on a straight-line basis, when this is representative of the stage of completion of an individual contract. Unrecognised contracted revenue is included as deferred income in the balance sheet. Amounts invoiced relating to more than one period are deferred and recognised over their relevant life.

On a limited number of Support and Managed Service contracts recognising revenue on a straight-line basis is not representative of the stage of completion. On these contracts, the stage of completion is determined by reference to the costs incurred as a proportion of the total estimated costs of the contract and unbilled revenue is recognised within accrued income. If a contract cannot be reliably estimated revenue is recognised only to the extent that costs have been incurred. Provision is made as soon as a loss is foreseen.

Where a contract contains several elements, the individual elements are accounted for separately where appropriate.

Finance revenue

Revenue is recognised as interest accrues.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

Operating leases

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

Pensions and other post-employment benefits

The Group operates a defined contribution scheme available to all UK employees. Contributions are recognised as an expense in the 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.

Employee benefits

In accordance with IAS 19, the Group provides for accumulating absences. The cost is measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Exceptional items

The Group presents as exceptional items on the face of the 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 periods and to assess better trends in financial performance.

Share-based payment transactions

Employees (including Executive Directors) of the Group can receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model, further details of which are given in note 25. In valuing equity-settled transactions, no account is taken of any performance conditions as none of the conditions set are market-related ones.

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 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.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued
The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 10).

The Group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity (see note 25).

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 1 January 2005.

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 revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

3 Segmental analysis
The Group's primary reporting format is geographical segments and its secondary format is business segments. The Group's geographical segments are 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.

Each geographical business contains the following three business segments:

- the Product segment supplies computer hardware and software to large and medium corporate and government customers and to other distributors. It includes the resale of third party services for which the Group retains no risks or rewards post sale;
- the Professional Services segment provides technical and project management skills to enable customers in the corporate and government sectors to implement and integrate new technologies into their infrastructures; and
- the Support and Managed Services segment provides an outsourcing service for specific areas of infrastructure management to customers in the corporate and government sectors.

The sale of goods is reported in the Product segment. The rendering of services is reported in the Professional Services and Support and Managed Services segments.

Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. The impact of inter-segment sales on operating profit by segment is not significant.

Geographical segments
The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 December 2007 and 2006.

3 Segmental analysis continued

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Year ended 31 December 2007					
Revenue					
Sales to external customers	1,357,305	708,581	285,698	27,557	**2,379,141**
Inter-segment sales	13,094	19,529	1,373	4,014	**38,010**
Segment revenue	1,370,399	728,110	287,071	31,571	**2,417,151**
Result					
Gross profit	197,185	94,202	31,501	2,920	**325,808**
Distribution costs	(10,572)	(3,700)	(3,855)	(217)	**(18,344)**
Administrative expenses	(152,175)	(79,428)	(29,400)	(2,747)	**(263,750)**
Operating result before amortisation of acquired intangibles	34,438	11,074	(1,754)	(44)	**43,714**
Amortisation of acquired intangibles	(481)	(132)	–	–	**(613)**
Segment operating result	33,957	10,942	(1,754)	(44)	**43,101**
Net finance income/(expense)	2,536	(1,842)	(1,613)	(123)	**(1,042)**
Profit/(loss) before tax	36,493	9,100	(3,367)	(167)	**42,059**
Income tax expense					**(13,161)**
Profit for the year					**28,898**
Assets and liabilities					
Total segment assets	578,522	186,480	56,379	3,720	**825,101**
Total segment liabilities	293,033	152,534	95,763	5,575	**546,905**
Other segment information					
Capital expenditure:					
Property, plant and equipment	42,914	12,759	648	67	**56,388**
Intangible fixed assets	3,195	2,239	185	–	**5,619**
Depreciation	22,319	4,705	–	106	**27,130**
Amortisation	2,985	451	111	–	**3,547**
Share-based payment	2,197	326	136	–	**2,659**

Notes to the consolidated financial statements continued

3 Segmental analysis continued

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Year ended 31 December 2006					
Revenue					
Sales to external customers	1,281,498	654,671	307,264	26,470	**2,269,903**
Inter-segment sales	8,601	11,734	764	3,336	**24,435**
Segment revenue	1,290,099	666,405	308,028	29,806	**2,294,338**
Result					
Gross profit	181,900	83,405	27,711	2,450	**295,466**
Distribution costs	(11,765)	(3,646)	(3,521)	(143)	**(19,075)**
Administrative expenses	(132,665)	(76,925)	(30,685)	(2,498)	**(242,773)**
Operating result before amortisation of acquired intangibles and exceptional items	37,470	2,834	(6,495)	(191)	**33,618**
Amortisation of acquired intangibles	–	(46)	–	–	**(46)**
Operating result before exceptional items	37,470	2,788	(6,495)	(191)	**33,572**
Exceptional items	–	–	(5,031)	–	**(5,031)**
Segment operating result	37,470	2,788	(11,526)	(191)	**28,541**
Net finance income/(expense)	6,834	(882)	(1,475)	(89)	**4,388**
Profit/(loss) before tax	44,304	1,906	(13,001)	(280)	**32,929**
Income tax expense					**(13,994)**
Profit for the year					**18,935**
Assets and liabilities					
Total segment assets	506,177	166,611	76,342	2,188	**751,318**
Total segment liabilities	223,296	145,382	112,679	4,832	**486,189**
Other segment information					
Capital expenditure:					
Property, plant and equipment	10,387	9,557	852	89	**20,885**
Intangible fixed assets	1,922	495	82	–	**2,499**
Depreciation	11,262	2,283	936	104	**14,585**
Amortisation	1,551	293	63	–	**1,907**
Share-based payment	1,173	202	28	8	**1,411**

Business segments

The following tables present revenue information regarding the Group's business segments for the years ended 31 December 2007 and 2006.

	Product £'000	Professional Services £'000	Support and Managed Services £'000	Total £'000
Year ended 31 December 2007				
Revenue				
Sales to external customers	1,774,164	158,488	446,489	**2,379,141**
Inter-segment sales	7,563	9,559	20,888	**38,010**
Segment revenue	1,781,727	168,047	467,377	**2,417,151**

3 Segmental analysis continued

	Product £'000	Professional Services £'000	Support and Managed Services £'000	**Total £'000**
Year ended 31 December 2006				
Revenue				
Sales to external customers	1,735,210	128,895	405,798	**2,269,903**
Inter-segment sales	3,865	2,723	17,847	**24,435**
Segment revenue	1,739,075	131,618	423,645	**2,294,338**

Business segments provide the Group with common business performance reporting across geographic segments that are structured and organised differently. Due to invoice bundling and shared service and business support structures, revenue and gross profit involves allocation judgements. Each geographic segment principally consists of a single entity with shared assets, liabilities and capital expenditure. Investment decisions are made either at the level of or within a geographic segment, but are not made at a business segment level. It is, therefore, not possible to split out assets, liabilities and capital expenditure information by business segments.

4 Group operating profit

This is stated after charging:

	2007 £'000	2006 £'000
Auditors' remuneration:		
Audit of the financial statements	**411**	367
Other fees to auditors – local statutory audits for subsidiaries	**75**	21
– taxation services	**159**	115
– other services	**–**	19
	645	522
Depreciation of property, plant and equipment	**27,130**	14,585
Loss on disposal of property, plant and equipment	**190**	353
Impairment of property, plant and equipment	**–**	2,492
Impairment of intangible assets	**86**	114
Amortisation of intangible assets	**3,547**	1,907
Net foreign currency differences	**354**	115
Costs of inventories recognised as an expense	**1,573,072**	1,517,031
Operating lease payments – minimum lease payments	**22,302**	19,036

5 Exceptional items

	2007 £'000	2006 £'000
Impairment of property, plant and equipment	**–**	2,492
Impairment of intangible assets	**–**	114
Redundancy costs	**–**	2,425
	–	5,031

In 2006 the forecasted cash flows for Computacenter France no longer supported the value of the non-current assets in the business, and accordingly a full impairment to these assets was recorded at 31 December 2006 and 31 December 2007.

Restructuring costs of £2,425,000 were incurred during the year ended 31 December 2006. These principally related to headcount reductions required to restructure the indirect cost base in 2006.

Notes to the consolidated financial statements continued

6 Staff costs and Directors' emoluments

	2007 £'000	2006 £'000
Wages and salaries	**370,994**	343,669
Social security costs	**54,842**	51,189
Pension costs	**14,279**	12,899
	440,115	407,757

Included in wages and salaries is a total charge for share based payments of £2,659,000 (2006: £1,411,000), which all arise from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was made up as follows:

	2007 No.	2006 No.
UK	**4,888**	4,667
Germany	**3,879**	3,605
France	**992**	1,010
Benelux	**144**	116
	9,903	9,398

7 Finance revenue

	2007 £'000	2006 £'000
Bank interest receivable	**3,876**	6,639
Income from investments	**34**	38
	3,910	6,677

8 Finance costs

	2007 £'000	2006 £'000
Bank loans and overdrafts	**2,624**	1,886
Finance charges payable on customer specific financing	**2,025**	301
Other interest	**303**	102
	4,952	2,289

9 Income tax

a) Tax on profit on ordinary activities

	2007 £'000	2006 £'000
Tax charged in the income statement		
Current income tax		
UK corporation tax	**13,420**	14,421
Foreign tax	**113**	212
Adjustments in respect of prior periods	**(385)**	76
Consortium relief	**–**	59
Total current income tax	**13,148**	14,768
Deferred tax		
Origination and reversal of temporary differences	**(1,372)**	(499)
Losses utilised	**3,417**	–
Effect of changes in tax rate on deferred tax	**(49)**	–
Effect of changes in tax rate on German deferred tax asset	**635**	–
Changes in recoverable amounts of deferred tax assets	**(2,747)**	(275)
Adjustments in respect of prior periods	**129**	–
Total deferred tax	**13**	(774)
Tax charge in the income statement	**13,161**	13,994

9 Income tax continued
b) Reconciliation of the total tax charge

	2007 £'000	2006 £'000
Accounting profit before tax	**42,059**	32,929
At the UK standard rate of corporation tax of 30% (2006: 30%)	**12,618**	9,879
Expenses not deductible for tax purposes	**643**	724
Relief on share option gains	**(78)**	(218)
Non-deductible element of share-based payment charge	**506**	423
Adjustments in respect of current income tax of previous periods	**(256)**	(214)
Higher tax on overseas earnings	**859**	49
Effect of changes in tax rate on deferred tax	**(49)**	–
Accounting depreciation in excess of tax depreciation	**–**	21
Other differences	**(149)**	(616)
Changes in recoverable amounts of deferred tax assets	**(2,747)**	–
Effect of change in rate of overseas deferred tax asset	**635**	–
Consortium relief	**–**	59
Profit of overseas undertakings not taxable due to brought forward loss offset	**–**	(154)
Losses of overseas undertakings not available for relief	**1,179**	4,041
At effective income tax rate of 31.3% (2006: 42.6%)	**13,161**	13,994

Corporation tax is calculated at 30% of the estimated assessable profit for the year. Based on future legislation of the Government in the United Kingdom the corporation tax will be calculated at 28% of assessable profit from 1 April 2008. This has resulted in an increase to the closing deferred tax balances in the UK of £49,000.

From 1 January 2008 the Corporate Tax rate in Germany reduced to 30% from 40%. This has resulted in a £635,000 reduction in the deferred tax asset recognised in respect of losses carried forward.

c) Tax losses
Deferred tax assets of £6.5 million (2006: £5.5 million) have been recognised in respect of losses carried forward. In addition, at 31 December 2007, there were unused tax losses across the Group of £169.6 million (2006: £153.1 million) for which no deferred tax asset has been recognised. Of these losses, £116.5 million (2006: £107.6 million) arise in Germany, albeit a significant proportion have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

d) Deferred tax
Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Deferred income tax liabilities				
Accelerated capital allowances	**860**	1,198	**(338)**	(141)
Effect of changes in tax rate	**(80)**	–	**(80)**	–
Revaluations of foreign exchange contracts to fair value	**–**	51	**(51)**	51
Arising on acquisition	**1,095**	–	**(144)**	–
Gross deferred income tax liabilities	**1,875**	1,249		
Deferred income tax assets				
Relief on share option gains	**475**	178	**(297)**	(178)
Timing differences	**767**	460	**(307)**	(506)
Effect of changes in tax rate	**(31)**	–	**31**	–
Revaluations of foreign exchange contracts to fair value	**72**	–	**(72)**	–
Losses available for offset against future taxable income	**4,654**	5,528	**1,130**	–
Fair value adjustments on acquisition	**2,253**	–	**141**	–
Gross deferred income tax assets	**8,190**	6,166		
Deferred income tax charge			**13**	(774)
Net deferred income tax asset	**6,315**	4,917		

At 31 December 2007, there was no recognised or unrecognised deferred income tax liability (2006: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

Notes to the consolidated financial statements continued

10 Earnings per ordinary share

Earnings per share (EPS) amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (excluding own shares held).

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

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

	2007 £'000	2006 £'000
Profit attributable to equity holders of the parent	28,888	18,927
Amortisation of acquired intangibles	613	46
Tax on amortisation of acquired intangibles	(184)	(14)
Exceptional items attributable to equity holders of the parent	–	5,031
Before amortisation of acquired intangibles and exceptional items	29,317	23,990

	2007 000's	2006 000's
Basic weighted average number of shares (excluding own shares held)	156,117	172,312
Effect of dilution:		
Share options	2,202	1,232
Diluted weighted average number of shares	158,319	173,544

	2007 pence	2006 pence
Basic earnings per share	18.5	11.0
Diluted earnings per share	18.2	10.9
Adjusted basic earnings per share	18.8	13.9
Adjusted diluted earnings per share	18.5	13.8

Subsequent to the reporting date the Company has repurchased a further 3,537,600 of its own shares for cancellation. Further details are given in note 31.

11 Dividends paid and proposed

	2007 £'000	2006 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2006: 5.0p (2005: 5.2p)	7,872	9,405
Interim for 2007: 2.5p (2006: 2.5p)	3,934	3,921
	11,806	13,326

Proposed for approval at AGM (not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2007: 5.5p (2006: 5.0p)	7,997	7,856

12 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
Cost				
At 1 January 2006	**66,303**	**14,017**	**75,638**	**155,958**
Additions	839	971	19,075	20,885
Disposals	–	(5,579)	(13,790)	(19,369)
Foreign currency adjustment	–	(362)	(637)	(999)
At 31 December 2006	**67,142**	**9,047**	**80,286**	**156,475**
Additions	–	826	55,562	56,388
Acquisition of subsidiary undertakings	–	–	1,684	1,684
Disposals	–	(288)	(6,407)	(6,695)
Foreign currency adjustment	75	1,245	1,417	2,737
At 31 December 2007	**67,217**	**10,830**	**132,542**	**210,589**
Depreciation and impairment				
At 1 January 2006	**15,549**	**6,518**	**52,290**	**74,357**
Provided during the year	2,706	1,947	9,932	14,585
Disposals	–	(5,430)	(13,562)	(18,992)
Impairment loss	–	–	2,492	2,492
Foreign currency adjustment	–	(262)	(579)	(841)
At 31 December 2006	**18,255**	**2,773**	**50,573**	**71,601**
Provided during the year	2,706	1,847	22,577	27,130
Disposals	–	(278)	(5,891)	(6,619)
Foreign currency adjustment	3	905	675	1,583
At 31 December 2007	**20,964**	**5,247**	**67,934**	**94,145**
Net book value				
At 31 December 2007	**46,253**	**5,583**	**64,608**	**116,444**
At 31 December 2006	48,887	6,274	29,713	84,874
At 1 January 2006	50,754	7,499	23,348	81,601

Included in the figures above are the following amounts relating to leased assets which are used to satisfy specific customer contracts:

	Fixtures, fittings, equipment and vehicles	
	2007 £'000	2006 £'000
Cost		
At 1 January	**14,134**	978
Additions	**47,768**	13,381
Disposals	**(79)**	(225)
At 31 December	**61,823**	14,134
Depreciation and impairment		
At 1 January	**1,837**	377
Charge for year	**13,547**	1,561
Disposals	**(49)**	(101)
At 31 December	**15,335**	1,837
Net book value	**46,488**	12,297

Notes to the consolidated financial statements continued

13 Intangible assets

	Goodwill £'000	Software £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 January 2006	**4,755**	**12,061**	**–**	**16,816**
Additions	–	2,227	272	2,499
Disposals	–	(2,050)	–	(2,050)
Foreign currency adjustment	–	(147)	–	(147)
At 31 December 2006	**4,755**	**12,091**	**272**	**17,118**
Additions	–	5,619	–	5,619
Acquisition of subsidiary undertakings	27,057	69	6,055	33,181
Disposals	–	(226)	–	(226)
Foreign currency adjustment	–	504	–	504
At 31 December 2007	**31,812**	**18,057**	**6,327**	**56,196**
Amortisation and impairment				
At 1 January 2006	**–**	**7,323**	**–**	**7,323**
Charged during the year	–	1,861	46	1,907
Disposals	–	(2,041)	–	(2,041)
Impairment loss	–	114	–	114
Foreign currency adjustment	–	(130)	–	(130)
At 31 December 2006	**–**	**7,127**	**46**	**7,173**
Charged during the year	–	2,934	613	3,547
Disposals	–	(225)	–	(225)
Impairment loss	–	86	–	86
Foreign currency adjustment	–	430	–	430
At 31 December 2007	**–**	**10,352**	**659**	**11,011**
Net book value				
At 31 December 2007	**31,812**	**7,705**	**5,668**	**45,185**
At 31 December 2006	4,755	4,964	226	9,945
At 1 January 2006	4,755	4,738	–	9,493

Other intangible assets relate to customer contracts and brands as acquired as part of the acquisition of Digica and Allnet during the year. Further details are given in note 27.

14 Impairment testing of goodwill

	Total £'000
Cost and carrying amount of goodwill	
At 1 January 2007	**4,755**
Additions	**27,057**
At 31 December 2007	**31,812**

Goodwill brought forward

Goodwill brought forward on 1 January 2007 of £3,920,000 has been allocated to the Computacenter (UK) Limited cash-generating unit and £835,000 has been allocated to the RD Trading Limited cash-generating unit for impairment testing.

Computacenter UK and RDC cash-generating units

The recoverable amounts of Computacenter (UK) Limited and RD Trading Limited have been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a three year period and on long-term market growth rates of 2.5% thereafter.

14 Impairment testing of goodwill continued

Key assumptions used in the value-in-use calculation for both Computacenter (UK) Limited and RD Trading Limited for 31 December 2007 and 31 December 2006 are:

- budgeted revenue, which is based on long-run market growth forecasts.
- budgeted gross margins, which are based on average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends.
- the discount rate applied to cash flow projections is 12.0% (2006: 12.0%).

The Computacenter UK and RDC cash-generating units generate profits substantially in excess of the carrying value of goodwill attributed to them. Management therefore believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Goodwill additions

Goodwill additions arise in the year principally from the acquisitions of Allnet and Digica.

Goodwill of £2,884,000 relating to the acquisition of Allnet has been allocated to the Computacenter UK cash-generating unit, which is the lowest level of cash-generating unit that can be reliably and separately identified.

Digica cash-generating unit

Goodwill of £24,169,000 relating to the acquisition of Digica has been allocated to the Digica cash-generating unit. The recoverable amount has been based upon the financial budgets approved by senior management covering a three year period, and on long-term market growth rates of 2.5% thereafter.

Key assumptions used in the value in use calculation for Digica for 31 December 2007 are:

- budgeted revenue, which is based on market share and long-run market growth forecasts;
- budgeted gross margins, which are based on average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends; and
- the discount rate applied to cash flow projections is 12.0%.

The business has performed at a level which exceeds the anticipated value-in-use at acquisition, due to the nature of the business and there is visibility of performance for the foreseeable period. As a result, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

After the balance sheet date, due to a reorganisation of reporting structure, Digica has become more integrated within the operations of Computacenter's core UK business. As a result, it is expected that going forward the cash flows will not be reliably and separately identifiable and that the goodwill relating to this acquisition will be tested for impairment against the Computacenter (UK) cash-generating unit.

No impairment provision on goodwill has been required at either 31 December 2007 or at 31 December 2006.

15 Investments

a) investment in subsidiaries

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held 2007	2006
Computacenter (UK) Limited	England	IT Infrastructure services	**100%**	100%
Computacenter France SA	France	IT Infrastructure services	**100%**	100%
Computacenter Holding GmbH	Germany	IT Infrastructure services	**100%**	100%
Computacenter GmbH	Germany	IT Infrastructure services	**100%**	100%
CC Managed Services GmbH	Germany	IT Infrastructure services	**100%**	100%
Computacenter NV/SA	Belgium	IT Infrastructure services	**100%**	100%
RD Trading Limited	England	IT Asset Management	**100%***	100%
Computacenter PSF SA	Luxembourg	IT Infrastructure services	**100%**	100%
Computacenter Solutions SA	Luxembourg	IT Infrastructure services	**–**	100%
Computacenter USA	USA	IT Infrastructure services	**100%***	100%
Computacenter Services (Iberia) SLU	Spain	International Call Centre Services	**100%***	100%
Digica Group Holdings Limited	England	IT infrastructure and application services	**100%***	–
Allnet Limited	England	In-premises cabling services	**100%***	–

* Includes indirect holdings of 100% via Computacenter (UK) Limited

Computacenter plc is the ultimate parent entity of the Group.

Notes to the consolidated financial statements continued

16 Inventories

	2007 £'000	2006 £'000
Inventories for re-sale	**110,535**	94,586

17 Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	**453,244**	426,113
Other debtors	**911**	1,206
	454,155	427,319

For terms and conditions relating to related party receivables, refer to note 30.

Trade receivables are non-interest bearing and are generally on 30–90 day terms.

The movements in the provision for impairment of receivables were as follows:

	2007 £'000	2006 £'000
At 1 January	**12,148**	11,478
Charge for the year	**8,846**	8,999
Utilised	**(5,295)**	(4,609)
Unused amounts reversed	**(4,604)**	(3,653)
Foreign currency adjustment	**423**	(67)
At 31 December	**11,518**	12,148

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total £'000	Neither past due nor impaired £'000	< 30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2007	**453,244**	**295,314**	**94,576**	**36,080**	**13,685**	**4,333**	**9,256**
2006	426,113	271,127	103,756	32,156	8,598	4,778	5,698

18 Cash and short-term deposits

	2007 £'000	2006 £'000
Cash at bank and in hand	**19,211**	17,882
Short-term deposits	**10,000**	60,000
	29,211	77,882

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £29,211,000 (2006: £77,882,000).

18 Cash and short-term deposits continued

At 31 December 2007, the Group had available £148.1 million (2006: £132.9 million) of uncommitted overdraft and factoring facilities.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

	2007 £'000	2006 £'000
Cash at bank and in hand	**19,211**	17,882
Short-term deposits	**10,000**	60,000
Bank overdrafts (note 20)	**(21,945)**	(18,900)
	7,266	58,982

19 Trade and other payables

	2007 £'000	2006 £'000
Trade payables	**211,491**	195,173
Other payables	**125,480**	120,673
	336,971	315,846

Terms and conditions of the above financial liabilities:

For terms and conditions relating to related parties, refer to note 30.

Trade payables are non-interest bearing and are normally settled on net monthly terms.

Other payables, which principally relate to other taxes, social security costs and accruals, are non-interest bearing and have an average term of three to six months.

20 Financial liabilities

	2007 £'000	2006 £'000
Current		
Bank overdrafts	**21,945**	18,900
Other loans	**11,571**	4,443
Factor financing	**23,453**	29,549
Current obligations under finance leases (note 21)	**17,394**	2,844
	74,363	55,736
Non-current		
Other loans	**4,404**	2,803
Non-current obligations under finance leases (note 21)	**30,248**	8,559
	34,652	11,362

Bank overdrafts

The bank overdrafts are unsecured and are subject to annual review.

Finance leases

The finance leases are only secured on the assets that they finance. These assets are used to satisfy specific customer contracts.

Notes to the consolidated financial statements continued

20 Financial liabilities continued

Other loans
The other loans are unsecured borrowings to finance equipment sold to customers on specific contracts.

Other loans comprise the following:

	2007 £'000	2006 £'000
£1,221,615 interest free loan 2007	–	338
£429,145 fixed rate (7.35%) loan 2007	–	324
£2,000,000 interest free loan 2007	–	2,000
£1,358,724 fixed rate (2.48%) loan 2008	368	719
£2,634,625 fixed rate (5.11%) loan 2008	1,001	1,911
£1,132,534 fixed rate (5.09%) loan 2008	421	821
£2,441,280 interest free loan 2008	732	732
£1,229,096 fixed rate (2.76%) loan 2009	255	401
£1,888,772 fixed rate (5.63%) loan 2008	482	–
£658,622 fixed rate (6.15%) loan 2008	659	–
£1,231,445 fixed rate (6.11%) loan 2009	534	–
£1,563,668 fixed rate (5.78%) loan 2009	1,564	–
£1,563,668 fixed rate (5.78%) loan 2009	1,075	–
£327,380 fixed rate (5.79%) loan 2009	133	–
£950,300 fixed rate (5.72%) loan 2009	950	–
£2,137,152 fixed rate (7.95%) loan 2009	2,137	–
£1,699,838 fixed rate (5.97%) loan 2009	1,700	–
£2,125,127 fixed rate (5.96%) loan 2009	2,125	–
£774,232 fixed rate (9.36%) loan 2009	774	–
£917,183 fixed rate (6.38%) loan 2010	505	–
£722,658 fixed rate (7.84%) loan 2011	560	–
	15,975	7,246
Less: current instalments due on other loans	11,571	4,443
	4,404	2,803

The table below summarises the maturity profile of these loans:

	2007 £'000	2006 £'000
Not later than one year	11,571	4,443
After one year but not more than five years	4,404	2,803
	15,975	7,246

The finance lease and loan facilities providing customer-specific financing are committed.

Factor financing

Factor financing is in respect of trade debts factored without recourse, which represents a proportion of the debts of the Group's French subsidiary. Under the terms of the arrangement certain trade debts are sold to the factor who in turn advances cash payments in relation to these debts. Interest is charged on these amounts on a daily basis at a rate of ECB base rate +0.5%. The Group is not obliged (and does not intend to) support any losses arising from the assigned debts against which the cash has been advanced. In the event of default in payment of a debtor, the providers of finance seek repayment of cash advanced only from the remainder of the cash pool of debts in which they hold an interest; repayment is not required from the Group in any other way.

21 Obligations under leases

a) Finance lease commitments

The Group has finance leases for various items of plant and machinery; these leases have no terms of renewal or purchase options and escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2007		2006	
	Minimum payments £'000	**Present value of payments £'000**	Minimum payments £'000	Present value of payments £'000
Within one year	**19,382**	**17,394**	3,501	2,844
After one year but not more than five years	**33,856**	**30,248**	10,593	8,559
	53,238	**47,642**	14,094	11,403

b) Operating lease commitments where the Group is lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of small machinery. There are no restrictions placed upon the Group by entering into these leases.

Future commitments payable under non-cancellable operating leases as at 31 December are as follows:

	2007 £'000	2006 £'000
Not later than one year	**36,945**	36,324
After one year but not more than five years	**48,648**	49,159
More than five years	**18,209**	24,005
	103,802	109,488

c) Operating lease receivables where the Group is lessor

During the year the Group entered into commercial leases with customers on certain items of machinery. These leases have remaining terms of between one and five years.

Future amounts receivable by the Group under the non-cancellable operating leases as at 31 December are as follows:

	2007 £'000	2006 £'000
Not later than one year	**26,064**	8,541
After one year but not more than five years	**27,752**	12,723
	53,816	21,264

The amounts receivable are directly related to the finance lease obligations detailed in note 21a.

Notes to the consolidated financial statements continued

22 Provisions

	Property provisions £'000
At 1 January 2007	14,971
Arising during the year	1,315
Utilised	(1,901)
Unused amounts reversed	(387)
Movement in discount rate	(165)
Exchange adjustment	572
At 31 December 2007	**14,405**
Current 2007	2,180
Non-current 2007	12,225
	14,405
Current 2006	2,132
Non-current 2006	12,839
	14,971

Property provisions

Assumptions used to calculate the property provisions are based on the market value of the rental charges plus any contractual dilapidation expenses on empty properties and the Directors' best estimates of the likely time before the relevant leases can be reassigned or sublet, which ranges between one year and nine years. The provisions in relation to the UK properties are discounted at a rate based upon the Bank of England base rate. Those in respect of the European operations are discounted at a rate based on Euribor.

23 Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the Finance Director's Review on pages 16 to 19.

Credit risk

The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are continually monitored thereafter.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents.

There are no significant concentrations of credit risk within the Group.

23 Financial instruments continued

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	Functional currency	Within 1 year £'000	1–2 years £'000	2–3 years £'000	3–4 years £'000	4–5 years £'000	More than 5 years £'000	Total £'000
Year ended 31 December 2007								
Fixed rate								
Cash and short term deposits	Sterling	10,000	–	–	–	–	–	10,000
Other loans	Sterling	(10,839)	(4,024)	(218)	(162)	–	–	(15,243)
Finance leases	Sterling/Euro	(17,151)	(13,180)	(11,864)	(4,343)	(861)	–	(47,399)
Floating rate								
Cash and short term deposits	Sterling	15,789	–	–	–	–	–	15,789
Cash and short term deposits	Dollar	941	–	–	–	–	–	941
Cash and short term deposits	Euro	847	–	–	–	–	–	847
		17,577	–	–	–	–	–	17,577
Forward currency contracts	Euro/Dollar	(369)	–	–	–	–	–	(369)
Bank overdraft	Euro	(21,945)	–	–	–	–	–	(21,945)
Factor financing	Euro	(23,453)	–	–	–	–	–	(23,453)
Property provisions	Sterling/Euro	(2,180)	(1,994)	(1,862)	(1,681)	(1,525)	(5,163)	(14,405)
Interest free								
Cash and short term deposits	Dollar	87	–	–	–	–	–	87
Cash and short term deposits	Euro	1,547	–	–	–	–	–	1,547
		1,634	–	–	–	–	–	1,634
Other loans	Sterling	(732)	–	–	–	–	–	(732)
Finance leases	Sterling	(243)	–	–	–	–	–	(243)
Other non-current liabilities	Sterling	–	(1,685)	–	–	–	–	(1,685)

	Functional currency	Within 1 year £'000	1–2 years £'000	2–3 years £'000	3–4 years £'000	4–5 years £'000	More than 5 years £'000	Total £'000
Year ended 31 December 2006								
Fixed rate								
Cash and short term deposits	Sterling	60,000	–	–	–	–	–	60,000
Other loans	Sterling	(1,768)	(1,937)	(133)	–	–	–	(3,838)
Finance leases	Sterling/Euro	(2,784)	(2,626)	(2,526)	(1,921)	(1,486)	–	(11,343)
Floating rate								
Cash and short term deposits	Sterling	15,414	–	–	–	–	–	15,414
Cash and short term deposits	Dollar	1,141	–	–	–	–	–	1,141
Cash and short term deposits	Euro	478	–	–	–	–	–	478
		17,033	–	–	–	–	–	17,033
Forward currency contracts	Euro/Dollar	57	–	54	–	–	–	111
Bank overdraft	Euro	(18,900)	–	–	–	–	–	(18,900)
Factor financing	Euro	(29,549)	–	–	–	–	–	(29,549)
Property provisions	Sterling/Euro	(2,132)	(2,302)	(1,688)	(1,629)	(1,531)	(5,689)	(14,971)
Interest free								
Cash and short term deposits	Sterling	8	–	–	–	–	–	8
Cash and short term deposits	Dollar	418	–	–	–	–	–	418
Cash and short term deposits	Euro	423	–	–	–	–	–	423
		849	–	–	–	–	–	849
Other loans	Sterling	(2,675)	(732)	–	–	–	–	(3,408)
Finance leases	Sterling	(60)	–	–	–	–	–	(60)
Other non-current liabilities	Sterling	–	(917)	–	–	–	–	(917)

Notes to the consolidated financial statements continued

23 Financial instruments continued

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The sterling floating rate assets and liabilities are based on the three month LIBOR rate. The Euro floating rate assets and liabilities are based on the overnight Euribor rate.

Fair values

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried with the Group's financial statements equates to their carrying amount.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before tax £'000
2007		
Sterling	+25	64
Euro	+25	(111)
2006		
Sterling	+25	189
Euro	+25	(120)

Forward currency contracts

At 31 December 2007, the Group held seventeen foreign exchange contracts (2006: five) designated as hedges of an inter-company loan and future expected payments to suppliers. The exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are detailed below:

31 December 2007

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK					
	Euros	Sterling	€20,932,304	Jan 08–Jan 09	1.360–1.423
	Dollars	Sterling	$813,000	Feb 08	2.004–2.004
Germany					
	Dollars	Euros	$15,600,000	Jan 08	1.438–1.471

31 December 2006

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK					
	Euros	Sterling	€10,158,301	Sep 07–Jan 09	1.366–1.437
	Dollars	Sterling	$3,000,000	Jan 07	1.969–1.969
Germany					
	Dollars	Euros	$17,100,000	Jan 07	1.316–1.334

Exchange rate sensitivity

The majority of the transactions in each of the Group's geographical segments are denominated in the functional currency of that segment. There are, however, a limited number of transactions where foreign currency exchange risk exists. In these instances the Group enters into a small number of forward currency contracts, as shown in the above table, in order to eliminate such risk. At the end of the year the fair value of the outstanding contracts was a liability of £369,000 (2006: asset of £111,000). Reasonably foreseeable movements in the exchange rates of +10% or –10% would not have a material impact on the Group's profit before tax or equity.

23 Financial instruments continued

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted payments:

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	**Total £'000**
Year ended 31 December 2007					
Financial liabilities	22,066	9,812	21,191	38,031	**91,100**
Forward currency contracts	–	358	–	11	**369**
Trade and other payables	–	249,647	–	–	**249,647**
	22,066	259,817	21,191	38,042	**341,116**

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	Total £'000
Year ended 31 December 2006					
Financial liabilities	18,900	1,218	5,815	12,156	38,090
Forward currency contracts	–	(57)	–	(54)	(111)
Trade and other payables	–	234,044	–	–	234,044
	18,900	235,205	5,815	12,102	272,023

24 Capital management

Computacenter's approach to capital management is to ensure that the Group has strong capital base to support the development of the business and to maintain a strong credit rating, whilst aiming to maximise shareholder value.

In line with this approach the Group has re-purchased share capital where it has been enhancing to earnings per share. As a result, in July 2006 a share consolidation accompanied a £74.4 million return of capital to shareholders and, during 2007, the Group has continued to repurchase shares to a value of £2.4 million. In addition, after the balance sheet date the Group entered into a closed period share repurchase contract of £8.0 million.

Consistent with the Group's aim to maximise returns to shareholders, the dividend policy is to maintain a relatively low level of cover of between 2–2.5 times. In 2007 the cover was 2.4 times (2006: 2.0 times, on a pre-exceptional basis).

Capital is allocated across the Group in order to minimise the Group's exposure to exchange rates, which principally results in borrowing in France and Germany with a small value of cash on deposit in the UK.

In certain circumstances, the Group enters into customer contracts that are financed by leases, which are secured only on the assets that they finance, or loans. Whilst the outstanding amounts of this 'customer-specific financing' are included within net funds for statutory reporting purposes, the Group excludes this 'customer-specific financing' when managing the net funds of the business, as this outstanding financing is matched by committed future revenues. These financing facilities, which are committed, are thus outside of the normal working capital requirements of the Group's product resale and services activities.

The Group calculates its gearing ratio using total equity for the capital base, and net funds prior to customer-specific financing as the debt position. The gearing ratio is shown in the table below, however the Group does not currently have a specific target that it monitors its gearing ratio against.

	£'000	£'000
Total equity	278,196	265,129
Net (debt)/funds before customer financing	(16,187)	29,433
Borrowings	(15,975)	(7,246)
Finance leases	(47,642)	(11,403)
Net (debt)/funds	(79,804)	10,784
Adjusted gearing (net (debt)/funds before customer financing as a % of equity)	(5.8)%	11.1%
Gearing (net (debt)/funds as a % of equity)	(28.7)%	4.1%

Notes to the consolidated financial statements continued

24 Capital management continued

The net funds (before customer financing) reduced by £41.5 million during the year, principally due to the acquisitions of Digica and Allnet (totalling £32.6 million) and to the growth in working capital resulting from the growth in the product business in the UK and Germany.

Customer-specific financing has increased due to the increased demand for capacity on demand service models, principally in the UK.

The Group's capital base is primarily utilised to finance its fixed assets and working capital requirements. Each operating country manages working capital in line with Group policies. The key components of working capital, i.e. trade receivables, inventory and trade payables, are managed in accordance with agreed number of days targeted in the budget process, in order to ensure efficient capital usage. The working capital days calculations are shown in the Finance Director's report.

An important element of the process of managing capital efficiently is to ensure that each operating country rewards behaviour at an Account Manager and Account Director level to minimise working capital, at a transactional level. This is achieved by increasing commission payments for early payment by customers and reduced commission payments for late payment by customers, which encourages appropriate behaviour.

In addition, where appropriate, business units are individually charged cost of capital to ensure efficient capital management.

25 Authorised and issued capital and reserves

Authorised	**2007 £'000**	2006 £'000
Ordinary shares of 6p each	**25,000**	25,000
B shares of 39p each	**75,000**	75,000
	100,000	100,000

Ordinary shares

Issued and fully paid	5p ordinary shares No. '000's	6p ordinary shares No. '000's	39p B shares No. '000's	£'000
At 1 January 2006	190,107	–	–	9,505
Issued during the year for cash on exercise of share options	769	451	–	66
Bonus issue	–	–	190,876	–
Share redemption	–	–	(190,876)	–
Share consolidation	(190,876)	159,063	–	–
At 31 December 2006	–	159,514	–	9,571
Issued during the year for cash on exercise of share options	–	309	–	18
Purchase of own shares for cancellation	–	(1,424)	–	(85)
At 31 December 2007	**–**	**158,399**	**–**	**9,504**

The holders of A ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company. On a winding up of the Company holders of A ordinary shares may be entitled to the residual assets of the Company.

The Company has two share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (note 26).

25 Authorised and issued capital and reserves continued

Share premium
The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued/ redeemed at a premium.

Capital redemption reserve
The capital redemption reserve is used to maintain the Company's capital following the purchase and cancellation of its own shares. During the year the Company repurchased 1,424,000 of its own shares for cancellation.

Own shares held
Own shares held comprise the following:

i) Computacenter Employee Share Ownership Plan
Shares in the parent undertaking comprise 5,424,799 (2006: 1,189,201) 6p ordinary shares of Computacenter plc purchased by the Computacenter Employee Share Ownership Plan ('the Plan'). The number of shares held represents 3.4% of the Company's issued share capital.

None of these shares were awarded to executives of the Company under the Computacenter (UK) Limited Cash Bonus and Share Plan. Options previously awarded are to be held on behalf of employees and former employees of Computacenter (UK) Limited and their dependants, excluding Jersey residents. The distribution of these shares is dependent upon the trustee holding them on the employees' behalf for a restrictive period of three years.

Since 31 December 2002 the definition of beneficiaries under the ESOP Trust has been expanded to include employees who have been awarded options to acquire ordinary shares of 6p each in Computacenter plc under the other employee share plans of the Computacenter Group, namely the Computacenter Services Group plc Approved Executive Share Option Plan, the Computacenter Employee Share Option Scheme 1998, the Computacenter Services Group plc Unapproved Executive Share Option Scheme, the Computacenter Performance Related Share Option Scheme 1998, the Computacenter Sharesave Plus Scheme and any future similar share ownership schemes.

All costs incurred by the Plan are settled directly by Computacenter (UK) Limited and charged in the accounts as incurred.

The Plan Trustees have waived the dividends receivable in respect of 5,424,799 shares that it owns which are all unallocated shares.

ii) Computacenter Qualifying Employee Share Trust ('the QUEST')
The total shares held are 743,708 (2006: 761,548), which represents 0.5% of the Company's issued share capital. All of these shares will continue to be held by the Quest until such time as the Sharesave options granted against them are exercised. The market value of these shares at 31 December 2007 was £1,408,000. The Quest Trustees have waived dividends in respect of all of these shares. During the year the Quest used the proceeds from UK sharesave option exercises to subscribe for 52,835 new 6p ordinary shares.

iii) Computacenter Trustees Limited
During the year no new awards of share allocations were made under the Computacenter Bonus Plus Share Plan. As at the year-end date the total number of shares held by Computacenter Trustees Limited was 381,534 (2006: 381,534), all of which are unallocated shares. Dividends are waived in respect of unallocated shares.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

26 Share based payments

Executive share option scheme
During the year, options were exercised with respect to 230,900 6p ordinary shares at a nominal value of £13,854 (2006: £7,380) and at an aggregate premium of £457,726 (2006: £213,420). Prior to the Capital Reorganisation during 2006, options in respect of 506,200 5p ordinary shares, at a nominal value of £25,310 and an aggregate premium of £665,540, were exercised. The total nominal value of options exercised during 2006 was £32,690 and the total aggregate premium was £878,960.

Under the Computacenter Employee Share Option Scheme 1998, the Computacenter Employee Share Option Scheme 2007 and the Computacenter Services Group Executive Share Scheme, options in respect of 926,183 shares lapsed and options over 670,400 shares were granted.

Notes to the consolidated financial statements continued

26 Share based payments continued

The numbers of shares under options outstanding at the year-end comprise:

Date of grant	Exercisable between	Exercise price	2007 Number outstanding	2006 Number outstanding
31/07/1997	31/07/200 – 30/07/2007	160.00p	–	129,900
16/03/1998	16/03/2001 – 15/03/2008	300.00p	210,000	286,500
01/04/1999	01/04/2002 – 31/03/2009	565.00p	50,620	61,240
05/05/1999	05/05/2002 – 04/05/2009	565.00p	117,335	141,758
24/08/1999	24/08/2003 – 23/08/2009	565.00p	13,724	13,724
27/09/2000	27/09/2003 – 26/09/2010	380.00p	222,000	371,474
27/09/2000	27/09/2004 – 26/09/2010	380.00p	–	33,333
27/09/2000	27/09/2005 – 26/09/2010	380.00p	–	33,333
20/03/2001	20/03/2004 – 19/03/2011	333.50p	150,000	150,000
20/03/2001	20/03/2005 – 19/03/2011	333.50p	150,000	150,000
20/03/2001	20/03/2006 – 19/03/2011	333.50p	200,000	200,000
19/09/2001	19/09/2004 – 18/09/2011	245.00p	50,000	100,000
19/09/2001	19/09/2005 – 18/09/2011	245.00p	50,000	50,000
19/09/2001	19/09/2006 – 18/09/2011	245.00p	50,000	50,000
10/04/2002	10/04/2005 – 09/04/2012	322.00p	225,816	352,316
10/04/2002	10/04/2005 – 09/04/2012	331.00p	45,000	45,000
21/03/2003	21/03/2006 – 20/03/2013	266.50p	403,000	564,000
02/04/2004	02/04/2007 – 01/04/2014	424.00p	361,000	523,000
24/10/2006	24/10/2009 – 23/10/2016	250.00p	2,619,600	2,819,600
17/04/2007	17/04/2010 – 16/04/2017	285.00p	630,400	–
23/10/2007	23/10/2010 – 22/10/2017	204.00p	40,000	–
			5,588,495	6,075,178

Computacenter Performance Related Share Option Scheme

Under the Computacenter Performance Related Share Option scheme, options granted will be subject to certain performance conditions as described in the Directors' Remuneration Report.

During the year nil options lapsed. No options were granted during the course of the year.

At 31 December 2007 the number of shares under outstanding options were as follows:

Date of grant	Exercisable between	Exercise price	2007 Number outstanding	2006 Number outstanding
10/04/2002	10/04/2005 – 09/04/2012	322.00p	280,666	280,666
21/03/2003	21/03/2006 – 20/03/2013	266.50p	433,863	433,863
21/03/2003	21/03/2007 – 20/03/2013	266.50p	200,000	200,000
02/04/2004	02/04/2007 – 01/04/2014	424.00p	283,017	283,017
			1,197,546	1,197,546

26 Share based payments continued

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options for the Executive Share Option Scheme and the Performance Related Share Option Scheme.

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Executive share option scheme				
Outstanding at the beginning of the year[1]	6,075,178	£2.99	6,598,899	£3.30
Granted during the year	670,400	£2.80	2,819,600	£2.50
Forfeited during the year	(926,183)	£3.38	(2,714,121)	£3.61
Exercised during the year	(230,900)	£2.04[2]	(629,200)	£1.45[3]
Outstanding at the end of the year	5,588,495	£2.94	6,075,178	£2.99
Exercisable at the end of the year	2,298,495	£3.49	2,732,578	£3.26

Notes

1 Included within this balance are options over 1,534,495 (2006: 2,169,000) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

2 The weighted average share price at the date of exercise for the options exercised is £2.60.

3 The weighted average share price at the date of exercise for the options exercised is £3.00.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2007 is 6.8 years (2006: 7.0 years).

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Computacenter performance related share option scheme				
Outstanding at the beginning of the year[1]	1,197,546	£3.17	1,282,254	£3.18
Granted during the year	–	–	–	–
Forfeited during the year	–	–	(84,708)	£3.34
Exercised during the year	–	–	–	–
Outstanding at the end of the year	1,197,546	£3.17	1,197,546	£3.17
Exercisable at the end of the year	1,197,546	£3.17	280,666	£3.22

Notes

1 Included within this balance are options over 281,000 (2006: 281,000) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2007 is 5.2 years (2006: 6.2 years).

Computacenter LTIP Performance Share Plan

Under the Computacenter LTIP Performance Share Plan, shares granted will be subject to certain performance conditions as described in the Directors' Remuneration Report.

During the year 1,140,160 shares were awarded, 64,402 were exercised and 79,619 lapsed.

At 31 December 2007 the number of shares outstanding was as follows:

Date of grant	Maturity date	Share price at date of grant	2007 Number outstanding	2006 Number outstanding
12/04/2006	01/04/2009	245.00p	1,263,298	1,392,858
10/05/2006	01/04/2008	254.00p	125,340	125,340
10/05/2006	01/04/2009	254.00p	11,805	15,740
17/04/2007	01/04/2009	285.25p	103,539	–
17/04/2007	01/04/2010	285.25p	1,026,095	–
			2,530,077	1,533,938

Notes to the consolidated financial statements continued

26 Share based payments continued

Computacenter Sharesave Scheme

The Company operates a Sharesave Scheme which is available to all employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. All options granted to UK employees under this scheme are satisfied at exercise by way of a transfer of shares from the Computacenter Qualifying Employee Share Trust. In the case of options granted to employees based overseas, all option exercises are satisfied by new share issues. During 2007, options over 26,217 shares were exercised by overseas employees and satisfied by new issue shares. The fair value of the options that were granted over the period to 31 December 2007 is £40,000 and is recognised as an expense in the income statement for the period (2006: £9,000).

Under the scheme the following options have been granted and are outstanding at the year-end:

Date of Grant	Exercisable between	Share price	2007 Number outstanding	2006 Number outstanding
January–2001	01/02/2006 – 31/07/2006	350.00p	–	11,549
October–2001	01/12/2006 – 31/05/2007	185.00p	–	125,038
October–2002	01/12/2007 – 31/05/2008	220.00p	**345,617**	374,430
October–2002	01/12/2007 – 31/05/2008	225.00p	**30,518**	30,518
October–2003	01/12/2006 – 31/05/2007	395.00p	–	264,312
October–2003	01/12/2008 – 31/05/2009	395.00p	**122,054**	136,986
October–2003	01/12/2008 – 31/05/2009	417.00p	**9,165**	9,165
October–2004	01/12/2007 – 31/05/2008	335.00p	**191,684**	226,246
October–2004	01/12/2008 – 31/05/2009	316.00p	**11,260**	11,260
October–2004	01/12/2009 – 31/05/2010	335.00p	**89,401**	107,478
October–2005	01/12/2008 – 31/05/2009	222.00p	**523,858**	671,916
October–2005	01/12/2010 – 31/05/2011	222.00p	**131,797**	183,717
October–2006	01/12/2009 – 31/05/2010	254.00p	**239,784**	295,275
October–2006	01/12/2011 – 31/05/2012	254.00p	**103,764**	121,779
October–2007	01/12/2010 – 31/05/2011	178.00p	**1,672,046**	–
October–2007	01/12/2012 – 31/05/2013	178.00p	**694,032**	–
			4,164,980	2,569,669

The following table illustrates the No. and WAEP of share options for the Sharesave scheme.

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Sharesave scheme				
Outstanding at the beginning of the year[1]	2,569,669	£2.69	3,309,941	£2.58
Granted during the year	2,459,268	£1.78	417,054	£2.54
Forfeited during the year	(767,065)	£2.90	(685,190)	£2.59
Exercised during the year	(96,892)	£1.89[2]	(472,136)	£1.99[3]
Outstanding at the end of the year	4,164,980	£2.13	2,569,669	£2.69
Exercisable at the end of the year	567,819	£2.59	400,899	£3.28

Notes

1 Included within this balance are options over 376,135 (2006: 542,000) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

2 The weighted average share price at the date of exercise for the options exercised is £2.75.

3 The weighted average share price at the date of exercise for the options exercised is £2.72.

26 Share based payments continued

The fair value of the Executive Share Option Scheme, the Performance Related Share Option Scheme and Sharesave Scheme plans are estimated as at the date of grant using the Black-Scholes valuation model. The following table gives the assumptions made during the year ended 31 December 2007 and 31 December 2006:

Share options granted to key executives

Nature of the arrangement	Grant of share options	Grant of share options	Grant of share options	Grant of share options	Grant of share options
Date of grant	23/10/2007	17/04/2007	17/04/2007	24/10/2006	24/10/2006
Number of instruments granted	40,000	480,400	150,000	1,119,600	1,700,000
Exercise price	£2.04	£2.85	£2.85	£2.50	£2.50
Share price at date of grant	£1.98	£2.85	£2.85	£2.50	£2.50
Contractual life (years)	10	10	10	10	10
Vesting conditions	Three year service period	Three years of service and growth in EPS of RPI plus 5%	Three year service period	Three years of service and growth in EPS of RPI plus 5%	Three year service period
Expected volatility	37.70%	37.36%	37.36%	38.40%	38.40%
Expected option life at grant date (years)	4.5	4.5	4.5	4.5	4.5
Risk-free interest rate	4.91%	5.24%	5.24%	4.85%	4.85%
Dividend yield	3.54%	2.63%	2.63%	3.00%	3.00%
Fair value per granted instrument determined at grant date	£0.54	£0.89	£0.89	£0.75	£0.75

Sharesave scheme

Nature of the arrangement	SAYE scheme	SAYE scheme	SAYE scheme	SAYE scheme
Date of grant	30/10/2006	30/10/2006	30/10/2007	30/10/2007
Number of instruments granted	295,721	121,779	1,672,046	694,032
Exercise price	£2.54	£2.54	£1.78	£1.78
Share price at date of grant	£2.55	£2.55	£2.00	£2.00
Contractual life (years)	3	5	3	5
Vesting conditions	Three year service period and savings requirement	Five year service period and savings requirement	Three year service period and savings requirement	Five year service period and savings requirement
Expected volatility	38.40%	38.40%	37.7%	37.7%
Expected option life at grant date (years)	3.00	5.00	3.00	5.00
Risk-free interest rate	4.75%	4.75%	4.85%	4.85%
Dividend yield	2.94%	2.94%	3.75%	3.75%
Fair value per granted instrument determined at grant date	£0.66	£0.80	£0.56	£0.64

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the recent historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options grant were incorporated into the measurement of fair value.

Notes to the consolidated financial statements continued

27 Business combinations

Acquisition of Digica Group

On 4 January 2007, the Group acquired 100% of the voting shares of Digica Group Holdings Ltd ('Digica') for a consideration of £15,835,000, in addition to which the Group settled the assumed debt of £11,426,000. The costs of acquisition amounted to £631,000. Digica is a private company, based principally in England, which specialises in IT infrastructure and application services. Outside of the UK, Digica operates an IT Help Desk facility in Cape Town, South Africa. The acquisition has been accounted for using the purchase method of accounting. The consolidated financial statements include the results of Digica for the twelve month period from the acquisition date.

The book and fair values of the net assets at date of acquisition were as follows:

	Book value £'000	Fair value to Group £'000
Intangible assets		
Comprising:		
Purchased goodwill	9,784	–
Existing customer contracts	–	1,282
Existing customer relationships	–	2,275
Trademark	–	1,513
Tools and technology	–	576
Software	40	40
Total intangible assets	9,824	5,686
Property, plant and equipment	1,216	1,083
Deferred tax assets	–	2,000
Inventories	2,561	1,995
Trade and other receivables	2,271	2,271
Prepayments	1,801	1,801
Cash	84	84
Trade payables	(2,893)	(2,893)
Other payables	(2,252)	(2,502)
Deferred income	(4,562)	(4,562)
Deferred tax liabilities	–	(1,240)
Net assets	8,050	3,723
Goodwill arising on acquisition		24,169
		27,892
Discharged by:		
Consideration		27,261
Costs associated with the acquisition, settled in cash		631
		27,892

From the date of acquisition, Digica has made a profit after tax of £406,000 on revenues of £25,649,000.

Included in the £24,169,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

27 Business combinations continued

Acquisition of Cable & Wireless (Allnet) Ltd

On 3 April 2007, the Group acquired 100% of the voting shares of Cable & Wireless (Allnet) Ltd ('Allnet') for an initial consideration of £9,265,000 plus acquisition costs of £201,000. The purchase price shall be subsequently increased in the event that specific earnings targets are met in the period April 2007 to March 2010. Allnet is a private company based in England which provides in-premises cabling services. The acquisition has been accounted for using the purchase method of accounting. The consolidated financial statements include the results of Allnet for the nine month period from the acquisition date.

The book and fair values of the net assets at date of acquisition were as follows:

	Book value £'000	Fair value to Group £'000
Intangible assets		
Comprising:		
Trademark	–	409
Software	29	29
Total intangible assets	29	438
Property, plant and equipment	658	601
Deferred tax assets	–	393
Inventories	1,675	364
Trade receivables	9,499	9,499
Prepayments	1,284	1,284
Cash	4,674	4,674
Trade payables	(5,829)	(5,829)
Other payables	(764)	(764)
Deferred income	(3,078)	(3,078)
Net assets	8,148	7,582
Goodwill arising on acquisition		2,884
		10,466
Discharged by:		
Cash		9,265
Contingent consideration		1,000
Costs associated with the acquisition, settled in cash		201
		10,466

From the date of acquisition, Allnet has contributed £32,738,000 to the Group's revenue and £738,000 to the Group's profit after tax.

If the acquisition had taken place at the beginning of the year, Group revenues for the year would have been £2,398,131,000 and profit after tax would have been £28,993,000.

Included in the £2,844,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

28 Capital commitments

At 31 December 2007 and 31 December 2006, all future contracted Group capital expenditure had been provided for.

29 Pensions and other post-employment benefit plans

The Group has a defined contribution pension plan, covering substantially all of its employees in the UK. The amount recognised as an expense for this plan is detailed in note 6.

Notes to the consolidated financial statements continued

30 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. Total fees paid in the year to Biomni amounted to £587,000 (2006: £618,000). Both PJ Ogden and PW Hulme are Directors of and have a material interest in Biomni Limited.

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)
Please refer to the information given in the Directors' remuneration table in the Directors' Remuneration Report on page 37 for details of compensation given to the Group's key management personnel. There are no other key management personnel.

31 Post balance sheet event
On 10 January 2008 the Company entered into an agreement with its stockbrokers, Credit Suisse, to purchase during the Close Period, its own ordinary shares to a maximum of four million shares with a maximum value of £8,000,000. A further 3,537,600 shares had been purchased for cancellation between the reporting date and 10 March 2008 for a value of £6,054,000.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the shareholders of Computacenter plc

We have audited the Parent Company financial statements of Computacenter plc for the year ended 31 December 2007 which comprise the Balance Sheet and the related notes 1 to 13. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Computacenter plc for the year ended 31 December 2007.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Parent Company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Parent Company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises only the Executive Summary, Operating Statement, Risk Management Report, Corporate Sustainable Development Report, Finance Directors' Review, Corporate Governance Statement, the Directors' Report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements and the part of the Directors' remuneration Report to be audited.

Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007;
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the Parent Company financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Luton
10 March 2008

Company balance sheet
As at 31 December 2007

	Note	2007 £'000	Restated 2006 £'000
Fixed assets			
Intangible assets	2	**135,721**	144,221
Tangible assets	3	**30,178**	31,794
Investments	4	**150,112**	147,057
		316,011	323,072
Current assets			
Debtors	5	**96,003**	91,140
Cash at bank and in hand		**13**	8
		96,016	91,148
Creditors: amounts falling due within one year	6	**(155,355)**	(175,054)
Net current liabilities		**(59,339)**	(83,906)
Total assets less current liabilities		**256,672**	239,166
Creditors: amounts falling due after more than one year	7	**(53,704)**	(62,704)
Provisions for liabilities and charges	8	**(780)**	(1,198)
Total assets less liabilities		**202,188**	175,264
Capital and reserves			
Called up share capital	9	**9,504**	9,571
Share premium account	9	**2,890**	2,247
Capital redemption reserve	9	**74,627**	74,542
Merger reserve	9	**55,990**	55,990
Own shares held		**(9,419)**	–
Profit and loss account	9	**68,596**	32,914
Equity shareholders' funds		**202,188**	175,264

Approved by the Board on 10 March 2008

MJ Norris
Chief Executive

FA Conophy
Finance Director

Notes to the Company financial statements
For the year ended 31 December 2007

1 Accounting policies

Basis of preparation
The financial statements of Computacenter plc were approved for issue in accordance with a resolution of the Directors on 10 March 2008. The balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985. The profit after tax for the Company was £47,235,000 (2006: £80,964,000). There are no other recognised gains or losses other than the profit for the year.

The Company has taken advantage of the exemption in paragraph 2D(b) of FRS 29 Financial Instruments: Disclosure and has not disclosed information required by paragraphs 51 to 95 of that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosure.

Intellectual property
Licences purchased in respect of intellectual property are capitalised, classified as an intangible asset on the balance sheet and amortised on a straight-line basis over the period of the licence.

Depreciation of fixed assets
Freehold land is not depreciated. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings – 50 years

Investments
Fixed asset investments are shown at cost less provision for impairment. In addition, subsequent to the adoption of UITF Abstract 41, investments in subsidiaries also include the FRS 20 cost of share-based payments.

Impairment of assets
The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet. All differences are taken to the profit and loss account.

Share-based payment transactions
During the year the Company has adopted UITF Abstract 41 and accordingly the Company no longer recognises any charges in respect of share-based payments. The expense is now recognised in the subsidiary companies employing the relevant employees. The Company records a corresponding increase in its investments in subsidiaries with a credit to equity which is equivalent to the FRS 20 cost in the subsidiary undertakings.

Taxation
Corporation Tax payable is provided on taxable profits at the current tax rate. Where group relief is surrendered from other subsidiaries in the Group, the Company is required to pay to the surrendering company an amount equal to the loss surrendered multiplied by the current tax rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2 Intangible assets

	Intellectual property £'000
Cost	
At 1 January 2007 and 31 December 2007	**169,737**
Amortisation	
At 1 January 2007	25,516
Charge in the year	8,500
At 31 December 2007	**34,016**
Net book value	
At 31 December 2007	**135,721**
At 31 December 2006	144,221

3 Tangible fixed assets

	Freehold land and buildings £'000
Cost	
At 1 January 2007 and 31 December 2007	**42,350**
Depreciation	
At 1 January 2007	10,556
Charge in the year	1,616
At 31 December 2007	**12,172**
Net book value	
At 31 December 2007	**30,178**
At 31 December 2006	31,794

Notes to the Company financial statements continued
For the year ended 31 December 2007

4 Investments

	Investments in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Investment £'000	Total £'000
Cost				
At 31 December 2006	203,437	9,918	25	213,380
Adoption of UITF 41	2,380	–	–	2,380
At 1 January 2007	205,817	9,918	25	215,760
Additions	2,715	769	–	3,484
Share-based payments	2,659	–	–	2,659
Repaid	–	(257)	–	(257)
At 31 December 2007	**211,191**	**10,430**	**25**	**221,646**
Amounts provided				
At 1 January 2007	65,924	2,754	25	68,703
During the year	2,831	–	–	2,831
At 31 December 2007	**68,755**	**2,754**	**25**	**71,534**
Net book value				
At 31 December 2007	**142,436**	**7,676**	**–**	**150,112**
At 1 January 2007	139,893	7,164	–	147,057
At 31 December 2006	137,513	7,164	–	144,677

Details of the principal investments at 31 December in which the Company holds more than 20% of the nominal value of ordinary share capital are given in the Group accounts in note 15.

5 Debtors

	2007 £'000	2006 £'000
Amount owed by subsidiary undertaking	**95,665**	90,000
Other debtors	**160**	127
Deferred tax	**–**	1,013
Corporation tax	**178**	–
	96,003	91,140

6 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Amount owed to subsidiary undertaking	**155,355**	175,027
Accruals	**–**	27
	155,355	175,054

7 Creditors: amounts falling due after more than one year

	2007 £'000	2006 £'000
Deferred income	**53,704**	62,704

8 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 2007	**1,198**
Capital allowances in advance of depreciation	(418)
At 31 December 2007	**780**

The deferred tax balance all relates to capital allowances in advance of depreciation.

9 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 31 December 2005	9,505	74,680	100	–	55,990	36,838	177,113
Adoption of UITF 41	–	–	–	–	–	969	969
At 1 January 2006	9,505	74,680	100	–	55,990	37,807	178,082
Shares issued	66	2,317	–	–	–	–	2,383
Total recognised gains in the year	–	–	–	–	–	80,964	80,964
Share options granted to employees of subsidiary companies	–	–	–	–	–	1,411	1,411
Bonus issue	74,442	(74,442)	–	–	–	–	–
Expenses on bonus issue	–	(308)	–	–	–	–	(308)
Share redemption	(74,442)	–	74,442	–	–	(73,886)	(73,886)
Expenses on redemption	–	–	–	–	–	(56)	(56)
Equity dividends	–	–	–	–	–	(13,326)	(13,326)
At 31 December 2006	9,571	2,247	74,542	–	55,990	32,914	175,264
Shares issued	18	643	–	49	–	–	710
Total recognised gains in the year	–	–	–	–	–	47,235	47,235
Purchase of own shares	–	–	–	(11,874)	–	–	(11,874)
Share options granted to employees of subsidiary companies	–	–	–	–	–	2,659	2,659
Cancellation of own shares	(85)	–	85	2,406	–	(2,406)	–
Equity dividends	–	–	–	–	–	(11,806)	(11,806)
At 31 December 2007	**9,504**	**2,890**	**74,627**	**(9,419)**	**55,990**	**68,596**	**202,188**

During the year the Company has adopted UITF Abstract 41 and accordingly no longer recognises any expense in respect of share-based payments. The expense is now recognised around the Group in the subsidiary companies employing the relevant employees.

10 Contingent liabilities
The Company has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding £13,906,000 (2006: £16,939,000), and to a customer of a subsidiary undertaking for an amount not exceeding £24,229,000 (2006: £24,933,000).

The Company has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December is £32,549,000 (2006: £39,117,000).

11 Related party transactions
The Company has taken the exemption in FRS 8.3 not to disclose transactions with other Group Companies.

The Company has not traded with any of the related parties disclosed in note 30 of the Group's accounts.

12 Auditors' remuneration
All auditors' remuneration is borne by Computacenter (UK) Ltd, a fully-owned UK subsidiary of the Company.

13 Post balance sheet event
On 10 January 2008 the Company entered into an agreement with its stockbrokers, Credit Suisse, to purchase during the Close Period, its own ordinary shares to a maximum of four million shares with a maximum value of £8,000,000. A further 3,537,300 shares have been repurchased for cancellation between the reporting date and 10 March 2008, for a value of £6,054,000.

Group five year financial review
Year ended 31 December

	Prepared under UK GAAP				Prepared under IFRS
	2003 £m	2004 £m	2005 £m	2006 £m	**2007 £m**
Revenue	2,481.3	2,410.6	2,285.2	2,269.9	**2,379.1**
Adjusted* operating profit	65.9	66.2	28.9	33.3	**41.7**
Profit before tax*	65.2	67.9	35.7	38.0	**42.7**
Profit for the year	46.3	48.3	20.4	18.9	**28.9**
Adjusted* diluted earnings per share	24.6p	25.6p	11.8p	13.8p	**18.5p**
Year-end headcount	9,716	9,610	9,370	9,328	**9,903**

* Before amortisation of acquired intangibles and exceptional items. Adjusted operating profit is stated after charging finance costs on customer-specific financing.

Group summary balance sheet
Year ended 31 December

	Prepared under UK GAAP				Prepared under IFRS
	2003 £m	2004 £m	2005 £m	2006 £m	**2007 £m**
Tangible assets	100.6	89.9	81.6	84.9	**116.4**
Intangible assets	4.2	7.9	9.5	9.9	**45.2**
Investments	11.0	0.4	0.3	–	**–**
Deferred tax asset	–	1.5	5.5	6.2	**8.2**
Inventories	134.1	118.9	100.2	94.6	**110.5**
Trade and other receivables	394.1	399.4	383.0	427.3	**454.2**
Prepayments and accrued income	48.2	55.2	63.5	50.4	**61.4**
Forward currency contracts	–	–	0.2	0.1	**(0.4)**
Cash	97.0	138.2	164.8	77.9	**29.2**
Assets held in disposal groups held for sale	–	9.2	–	–	**–**
Current liabilities	(466.8)	(468.6)	(461.9)	(459.8)	**(496.1)**
Non-current liabilities	(13.9)	(19.8)	(16.0)	(26.4)	**(50.4)**
Liabilities included in disposal groups held for sale	–	(6.9)	–	–	**–**
Net assets	308.5	325.3	330.7	265.1	**278.2**

Group financial calendar

Annual General Meeting	16 May 2008
Final dividend record date	16 May 2008
Final dividend payment date	12 June 2008
Interim results 2008 date	28 August 2008
Interim dividend record date	19 September 2008
Interim dividend payment date	16 October 2008

Corporate information

Board of Directors
Mike Norris (Chief Executive)
Tony Conophy (Finance Director)
Cliff Preddy (Senior Independent Director)
Philip Hulme (Non-Executive Director)
Ian Lewis (Non-Executive Director)
Peter Ogden (Non-Executive Director)
John Ormerod (Non-Executive Director)

Company Secretary
Stephen Benadé

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