

MAKING DIGITAL WORK

Annual Report and Accounts 2016



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1 Adjusted revenue, adjusted Services revenue, adjusted Professional Services revenue, adjusted Supply Chain revenue, and adjusted administrative expenses excludes the revenue and administrative expenses from a disposed subsidiary, R.D. Trading Ltd (RDC), for the comparative reporting periods. RDC was sold on 2 February 2015. Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Each of these measures also excludes the results of RDC for the comparative periods. Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale. A reconciliation between key adjusted and statutory measures is provided on page 46 of the Group Finance Director's Review. Further detail is provided within note 4 to the Financial Statements.

2 We evaluate the long-term performance and trends within our strategic key performance indicators (KPIs) on a constant currency basis. Further, the performance of the Group and its overseas Segments are shown, where indicated, in constant currency. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information gives valuable supplemental detail regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-year local currency financial results using the current year average exchange rates and comparing these recalculated amounts to our current year results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas Segments, are presented in constant currency, the equivalent prior-year measure is also presented in actual currency using the exchange rates prevailing at the time. Highlights 2016, as shown on page 1, and statutory measures, are provided in actual currency.

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

OUR AMBITION IS TO BE EUROPE'S PREFERRED IT PROVIDER TO ENABLE USERS AND THEIR BUSINESS IN A DIGITAL WORLD.

Adjusted¹ revenue (£m) **+6.3%**

3,245.4



Statutory revenue (£m) **+6.1%**

3,245.4



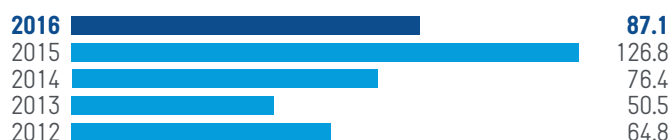
Adjusted¹ profit before tax (£m) **-0.6%**

86.4



Statutory profit before tax (£m) **-31.3%**

87.1



Adjusted¹ diluted earnings per share (pence) **+1.1%**

54.0



Statutory diluted earnings per share (pence) **-36.3%**

52.3



Dividend per share (pence) **+3.7%**

22.2



A reconciliation between key adjusted¹ and statutory measures is provided on page 46 of the Group Finance Director's Review. Further details are provided in note 4 to the Financial Statements, Segment Information.

“

Our future depends in no small part on recruiting and developing talent. I thank all of our employees for their work and their results. Their enthusiasm for our Company and their focus on our customers are exemplary.

”



AN INTERESTING YEAR

We were disappointed with our performance in the UK in 2016 but heartened by strong results in Germany and France. Our adjusted¹ revenues are now £3.2 billion including, for the first time, Services revenue of over £1 billion, and we delivered a solid profit, meeting expectations we had set for the year.

Our job, on your behalf, is to focus on our strengths and the opportunities they offer to our business, while recognising and acting in those areas where we need to improve our performance. Almost everything we need to do to deliver this is in our own hands. We believe our strengths and our actions will deliver progress in 2017 and we are well positioned in all our business lines and geographies. Of particular note has been the careful establishment of our capability in the USA and Mexico. We have some 630 employees across the region, serving a number of large international enterprises.

This report focuses on our strategy and its execution. We have invested in our ability to enable users of IT in an increasingly digital world and the nature and number of our Managed Services contracts reflects this. We strive herein to balance our optimism with a clear explanation of the risks we face and the way in which we deal with them.

You will see that we are proposing a few changes to our remuneration policy, which we are asking you to approve. Those that are significant further strengthen the alignment between our two Executive Directors, and you, the owners of our business. Please pay particular attention to our Remuneration Report and the link between the Company's performance and what our Executive Directors were paid. We seek to be a well-managed and conservative business, preferring to serve our customers and be measured by them, rather than seeking publicity directly.

During December and January we conducted an external evaluation of the Board and its Committees. We have agreed on a series of actions to improve our efficiency, by having a more focused approach to the information provided to Board members. We have also concluded that we will benefit from increased focus on our competition, so that we continually challenge management on the details of our strategy and its execution. I take this opportunity to welcome Ros Rivaz to our Board, she brings with her significant operational executive experience in large enterprises, our target market.

Our future depends in no small part on recruiting and developing talent. During 2016, we recruited graduates into our Sales Associate, Project and Service Management programmes, reached out to a significant number of schools and universities and continued to increase our Apprenticeship programme. We believe this talent recruitment to be a very important activity and will continue to focus and improve on it.

Last, but certainly not least, I thank all of our employees for their work and their results. Their enthusiasm for our Company and their focus on our customers are exemplary.

Greg Lock
Chairman

13 March 2017

THE EFFECTS OF DIGITAL

The rate of digitalisation continues to increase rapidly in all of our customers, across every industry. We are seeing changing business models, driven by a shift to digital. Equally, many of our customers are challenged by stagnant growth and pressure on operating costs. As a result, we are seeing a continual drive to reduce expenditure on supporting established infrastructure, so as to save money and invest in business change.

This increasing customer pressure to reduce costs, sometimes at the expense of a reduced service, comes not just at contract renewal but often through in-life contract negotiations. This creates both threat and opportunity for Computacenter and we must strive to enhance our own productivity, to increase our competitiveness and maintain margins. Despite pressure on operating costs, customers are more willing to invest in new technologies to enhance their users' experience and improve their business in the eyes of their customers. We are experiencing strong demand for particular skills focused mainly, but not exclusively, on Security, Cloud and digitising the end user environment.

Over the last few years we have invested in enhancing our productivity and increasing our innovation, with particular focus on enabling users within our customers. This has materially helped to defend our business. While 2016 was a challenging year, once you note that the comparative performance in 2015 benefited from a one-off gain of £3 million, which, as we explained in our 2015 Interim Report was not expected to repeat in future years, we still made financial progress. While our business in the UK underperformed against our original expectations, our French and German Segments stepped up to fill the shortfall, which is a pleasing return on the effort we have put into those businesses in recent years.

Our competitive advantage is in the unique value we provide to our customers by being intimately focused on them, from the CIO through to the end users. We continue to target enterprise level customers in our core western European geographies with a proposition that offers an end to end digitalisation solution, scalable to them, in all of their locations across the world. The ambition remains to be Europe's preferred IT provider in this regard.

Our portfolio of service offerings and the skills of our people, particularly their technical expertise, coupled with the strength of our Balance Sheet, give us confidence to continually reinvest in our business and enhance our customer experience. This should lead to superior financial returns in the future.

I would like to take this opportunity to thank shareholders for their support, employees for their dedication and customers for their loyalty. I hope to see you at our Annual General Meeting on Thursday 4 May 2017.

Mike Norris
Chief Executive Officer

13 March 2017



Digitalisation is changing our customers' businesses and encouraging them to invest in new technologies. We are well placed to meet their needs and deliver superior financial returns in the future.



AN INTEGRATED OFFER

Three complementary entry points for our customers and a balanced portfolio for Computacenter to achieve long-term growth.



CONSULT & CHANGE

Delivering a set of predictable, proven solutions that optimise customers' technology, enabling effective change and achievement of business goals.

Revenue characteristics

Dependent on forward order book.

Professional Services revenue (£m) **+4.3%**

274.2



Adjusted¹ Professional Services revenue (£m) **+4.4%**

274.2



SOURCE & DEPLOY

Determining and providing appropriate products and commercials to address customers' technology requirements, providing a complete service and support throughout the product lifecycle.

Revenue characteristics

Large contracts, low margins and low visibility.

Supply Chain revenue (£m) **+6.8%**

2,207.5



Adjusted¹ Supply Chain revenue (£m) **+7.0%**

2,207.5



MANAGE & TRANSFORM

Providing maintenance, support, transformation and management of customers' IT infrastructures and operations improving quality and flexibility of service, while significantly reducing costs.

Revenue characteristics

High visibility, long term and stable.

Managed Services revenue (£m) **+4.9%**

763.7



A reconciliation between key adjusted¹ and statutory measures is provided on page 46 of the Group Finance Director's Review. Further details are provided in note 4 to the Financial Statements, Segment Information.

CUSTOMER CENTRIC

WHAT WE OFFER

Our business is diversified across our main territories and across our three business areas, which are described below. These businesses are distinct but synergistic, as customers increasingly look to buy end to end services and solutions, ranging from consulting, to integration over the product supply lifecycle, to contracting a Managed Service.

Consult & Change

What we do: We offer proven solutions that optimise customers' technology, enabling effective change so they can achieve their business goals. We provide in-depth solutions, either within or across each technology category (Engagement, End user & Collaboration, Datacenter, Network or Security). Combined with our project management and transformation skills and our intimate customer knowledge, we deliver holistic solutions that actually work within our customers' IT environments.

How we earn revenue: Consulting engagements range from long-term transformation programmes to different sizes of consulting and implementation projects; across our portfolio of technology solutions. Most of the commercial models are time-and-material based but we see a trend towards fixed-price contracts.

Source & Deploy

What we do: Computacenter helps organisations remove cost, complexity and risk from the IT Supply Chain. We unify and simplify the entire process; from product selection, benchmarking and procurement to build management and deployment. We have relationships with more than 1,100 vendors and over 200 vendor accreditations. With our long-term client relationships and broad vendor coverage, we can be our clients' one-stop value-added reseller.






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

Manage & Transform

What we do: We maintain, support, transform and manage our customers' IT infrastructures and operations, improving the quality and flexibility of service, while significantly reducing costs. Our services extend from the digital and physical workplace to the Datacenter, Network and Cloud. Our Global Infrastructure Operations (GIO) and award-winning Global Service Desk (GSD) are at the heart of our services, enabling us to support users worldwide. Dedicated transformation teams minimise disruption and ensure a seamless business take-on process.

How we earn revenue: We increasingly sell a Managed Service, which is a defined set of services with related service level agreements and either fixed or service-based pricing, such as per user or per transaction. Where customers ask for more flexibility or specific skills, we also provide support and 'body shopping' services. As a value-added reseller, we also offer lifecycle and maintenance services for products, for example on a price per device.

OUR SOLUTIONS & SERVICES PORTFOLIO

	 ENGAGEMENT	 END USER & COLLABORATION	 DATACENTER	 NETWORK	 SECURITY
CONSULT & CHANGE Strategy & Advisory Services Design & Build Services Integration & Migration Services	Global Service Desk Next Generation Service Desk	Client Computing Enterprise Mobility Collaboration	Enterprise Compute Hybrid Cloud Data & Storage Management	Local Area Network Datacenter Network Physical Infrastructure (UK)	Endpoint Security Infrastructure Security Industrial Security
SOURCE & DEPLOY Supply Chain Services	Tech Bar	Content Management	Analytics & Big Data SAP HANA (DE)	Service Provider Network (DE)	Cyber Security Information Security Management
MANAGE & TRANSFORM Support & Maintenance Services Managed Services				Production Network (DE)	Identity & Access Management

WHERE WE OPERATE

We have a European footprint that matches where our customers are headquartered; and global reach to support their worldwide service requirements.

European footprint

Computacenter is headquartered in the UK and also does business with customers in Germany, France, Belgium and Switzerland. Our sales force, service managers, project managers, consultants and solutions specialists are based in many locations close to our customers. In addition, our European footprint includes:

- the warehouses and configuration and distribution centres that support our Supply Chain business;
- our Global Solutions and Customer Experience Centers, where we set up Proof of Concepts and showcase potential solutions;
- our datacenters, where we operate our own and our customers' back-end services; and
- our field engineers, maintenance technicians and technical consultants, who work onsite with our customers or travel across the country.

USA coverage

We have for many years delivered services to our customers in the USA using our tools, processes and management with contracted staff from partners in the USA. During 2016, we have transferred the majority of these contracted staff into Computacenter USA and the business now has a headcount of around 630 across the USA and Mexico. We have been pleased with the transfer and there has been no deterioration in customer service during this time. This new platform, Computacenter USA, potentially enables us to attract more American business from our European customer base and extend the range of services that we offer these customers. At this time, it is not our intention to source customers directly in the USA.

Global reach

We have developed our global coverage to mirror our customers' requirements. As a result, Computacenter can supply customers in over 100 countries and support end users in more than 70 countries. We have over 130 international specialists, who implement and support multi-country solutions. In total, we support over four million users and ship 25.5 million products worldwide each year. Our standard international operating model ensures we deliver services which are consistent worldwide, but meet the individual needs of each country or region.

Through our global delivery capabilities, we provide seamless, scalable and cost efficient global services. The delivery centres comprise our:

Global Service Desk (GSD): Our goal is to provide a faster and smarter response to users. We deliver end to end user support, locally and globally, and provide a 'follow-the-sun service'. The GSD supports around 1.3 million users, using 30 languages.

Global Infrastructure Operations (GIO): The scale of our operation means we can support users and systems anywhere in the world, 24 hours a day, seven days a week. From networking components and virtual servers to user devices, our infrastructure services improve availability and security. We have more than 1,300 technical and service management experts, in eight shared services centres, working for more than 200 customers.

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

Global Partner Network: Our extensive partner network covers field services and onsite support in Europe (outside our core territories). Over 1,200 engineers support international services.

EUROPEAN IT SERVICES PROVIDER WITH A GLOBAL REACH



KEY

📞 SERVICE DESK
📶 INFRASTRUCTURE OPERATIONS
🌐 GLOBAL SOLUTIONS CENTER
💡 CUSTOMER EXPERIENCE CENTER
🖥️ DATACENTER
🛒 SUPPLY CHAIN
🔧 GLOBAL RECOVERY CENTRE

■ COMPUTACENTER'S GLOBAL CUSTOMER SUPPORT CAPABILITIES

OUR COMPETITIVE ADVANTAGE

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

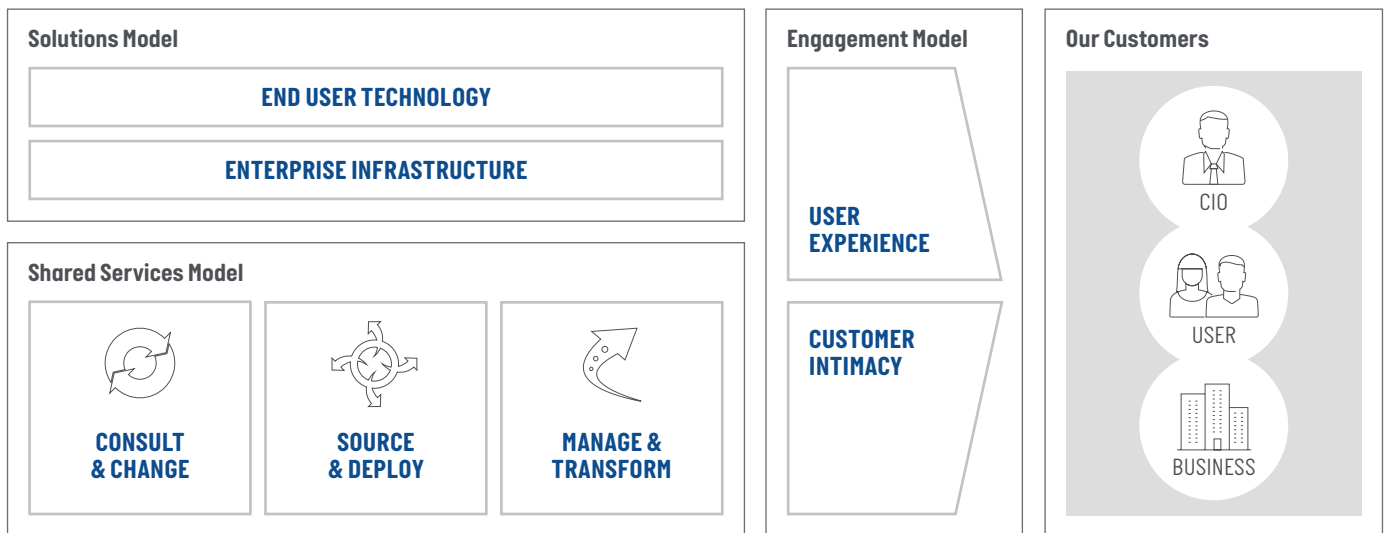
- 1. We are the friend of the Chief Information Officer (CIO):** The CIO is the key decision maker and budget holder for our services. We therefore help CIOs to enable their users and businesses. This means addressing customer needs only through the CIO and empowering them to meet the requirements of their user base, business units or functions, to support their transformation agenda.
- 2. We have absolute focus on our end users:** The Next Generation Service Desk (NGSD) shows that we know what users want. Our end user focus is in our DNA and we have no distracting legacy assets, such as underused datacenters.
- 3. We have a culture of customer intimacy:** Our sales and service managers interact almost continuously with customers, especially where we have a Managed Services contract. More than 80 per cent

of customers have been with us for more than 10 years, showing they value this close relationship.

- 4. We offer end to end solutions across technologies:** From converged infrastructure and Cloud to user productivity and Security, we have the technological solutions and capabilities customers need for an excellent user experience. Our consultants cut across technology silos and implement solutions end to end.
- 5. We partner along the service lifecycle:** Some providers specialise in reselling, consulting or Managed Services. Our customers appreciate that we can support their transformation, with a full-service portfolio spanning planning, sourcing and building to running their IT infrastructure.

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

BUSINESS MODEL



HOW WE GENERATE SHAREHOLDER VALUE

We build and leverage three asset types – physical assets, our people and our customer relationships. These assets support each other, benefiting our customers, employees and shareholders.

- The Solutions Model delivers change and innovation for customers across the IT infrastructure spectrum. As a key asset, we build on and nurture our technology experts and look to attract new experts to the Group. We are an attractive employer because our people work on exciting change projects, utilise cutting-edge technology and vendors, and follow a wide range of career opportunities.
- The Shared Services Model has three revenue streams: Supply Chain, Professional and Managed Services. They provide complementary entry points for customers and give us a balanced portfolio for long-term growth. This is where we run and enhance our physical assets, namely our distribution centres, service desks and operations centres.
- Customer access is the key asset in our Engagement Model. We have a clear target market, addressing the top 500 customers in each core geography. Through our account managers, sales specialists and service and project managers, we maintain unique customer intimacy. With multiple touch-points through our Shared Services Model, we continuously improve the physical and digital user experience.

We are investing strategically, to further strengthen our key assets:

- The NGSD improves digital interaction and user experience in our Engagement Model.
- We invest in services industrialisation and automation, to make our Shared Services Model more competitive.
- And with the Digital Workplace, Cloud and Security, we are building digital platform capabilities that enable our sales, service and consulting staff to drive digital transformation in the marketplace.

Investing in our digital capabilities underpins our strategy to engage with the user, build and run platforms and automate delivery.

Supporting our Strategic Objectives

Our business model is the foundation for achieving our strategic objectives. The Solutions Model catalyses increased pull-through business, so we maximise our customer relationships and innovate in our service offerings. Through the Shared Services Model, we increase productivity and competitiveness across our three main businesses. And our Engagement Model helps us retain and grow our customer relationships, especially supporting our Managed Services business.

Creating shareholder value

By working towards our strategic goals, we improve customer satisfaction and employee engagement. This supports operating profit and cash flow generation across our core territories. Realising our financial and non-financial goals enables us to continue to invest in and refine our business model.

STRIKING THE RIGHT BALANCE

Computacenter's Supply Chain business had another satisfactory year in 2016, as the market maintained its rapid pace of change. In response to this environment, some of the industry's leading companies have adopted very different strategies. Dell's acquisition of EMC gives it the broadest product and solutions portfolio of any company, spanning mobility through to data centres. On the other hand, the relatively new Hewlett Packard Enterprise doubled down on its hybrid infrastructure investments and reinforced this commitment by stating its intention to divest some non-core assets. Another of our major partners, Cisco, is transforming itself into a software-led company, away from the networking hardware products it is famous for. These changes create both challenge and opportunity for Computacenter. The Group Commercial Operations (GCO) team therefore remains focused on balancing today's requirements with the evolving demands and strategies of our customers and partners.

Another key influence on the Supply Chain is the increasing importance of cloud and new consumption-based IT provision, often referred to as Anything-as-a-Service or XaaS. Cloud/XaaS has a part to play in virtually every company, big or small, but the pace and type of adoption will vary tremendously. Computacenter focuses on enterprise customers, which typically run their businesses using large ERP systems, often referred to as systems of record. At the other end of the spectrum are systems of engagement, the tools used to interact with suppliers and customers. It is in this space that we expect to see the greatest adoption of cloud-based applications by our customers, due to increasing demand from their users for agility, speed of delivery and ultimately, competitive advantage.

With the backdrop of this likely shift in demand, we continued to see the normal country-by-country differences in category performance in 2016. However, at a Group level, our workplace business remained strong. This bodes well for 2017 and beyond, as we have yet to see the major migration to Microsoft Windows 10 that we believe is coming. Our x86 server business had a more challenging year, as customers considered alternatives including converged systems – typically appliances that integrate, compute, storage, network, software and cloud. Computacenter performed well in the converged infrastructure segment and this in turn supported an improved performance in storage and networking throughout the year.

The focus areas for 2017 include increasing our international Supply Chain capability for customers with a global footprint; growing our Managed Print Services portfolio, which delivers significant advantages in management, service delivery and cost; and continuing to transform our software business from the perpetual licence-led approach to today's hybrid world of licence and subscription-based models.

Finally, if cloud was the mega trend of the last two to three years, there is no doubt that digital was the key trend to emerge in 2016. Computacenter's user-centric approach to the digital workplace, through initiatives such as NGSD and the newly launched Digital Me, provides a clearly differentiated proposition to our customers, delivering enhanced usability, supportability and collaboration. The GCO will enhance our own service offerings and capability in parallel to these initiatives, to deliver a world-class service.



Digital was the key trend to emerge in 2016. Our user-centric approach to the digital workplace gives us a clearly differentiated proposition for customers.



Mike Rodwell
Group Chief
Commercial Officer



THE SHIFT TO DIGITAL

DIGITAL TRANSFORMATION

Digital transformation means radically improving customer experience, operational processes and business models by using technology*. This transformation is a fundamental driver of our markets.

In a digital world, we see three principles for success:

1. **Engage the user:** Making it simple, intuitive and even fun for your customers to interact with you.
2. **Establish a platform:** Putting in place a central service, to which you can add value-enhancing solutions or services. Customers only need to sign-up once and can get continuous benefits through the solutions available to them on the platform.
3. **Automate the delivery:** Developing processes that are delivered without any human intervention, which offer scalability, improved efficiency and lower cost.

IT MARKETS ARE SHIFTING TO DIGITAL

Traditional IT markets are in decline. Where services are performed on devices by people, this decline is primarily due to price pressure. This pressure must be countered by relentlessly driving service cost down, through standardisation, off-shoring and automation. Services affected are those such as desktop outsourcing, helpdesks and client device support.

In contrast, new 'digital' market segments are growing. In these markets, the service is primarily delivered with or through software. Examples include mobile device and application management, public and private Cloud services, and Network Security. These provide opportunities for Supply Chain, Professional and Managed Services.

WHAT THIS MEANS FOR OUR KEY STAKEHOLDERS

Digital transformation has important implications for end users, businesses and our primary route into our customers, the CIO.

- **Users** want technology and services to deliver the same experience in the workplace as they do in their private lives. Consumerisation, the war for talent, the digitalisation of work and the shift to knowledge work means that organisations must offer what their users want, in order to deliver higher customer satisfaction and stronger employee engagement and retention. This aligns perfectly with our heritage and focus on the end user of technology.
- **Businesses** want to use digital technologies to defend themselves or grow. They see social media, mobile channels, analytics, cloud and the Internet of Things as tools for improving the customer experience, their operational processes and their business models. Computacenter is increasingly building vertical expertise to help businesses achieve these goals, especially in public services, manufacturing and financial services.
- **CIOs** need to 'save to innovate'. They want to generate savings from their traditional IT budgets, so they can fund the digital transformation of their organisations. Computacenter can help CIOs to save, for example through outsourcing, and to drive innovation, such as through our vendor relations and highly skilled consultants.

“

The 'Shift to Digital' provides us with growth opportunities across our portfolio.

”

Michael Weiss
Head of Group Strategy
& Marketing



* Source: Massachusetts Institute of Technology

CASE STUDY DIGITAL WORKPLACE

UNION INVESTMENT



“

By working with Computacenter, we can provide our employees with a digitally-enabled workplace that maximises productivity and minimises risk.

”

Frank Henkes
Head of IT Infrastructure & Operations, Software Engineering
Union IT-Services, Union Investment

INVESTING IN PEOPLE

In the highly competitive financial services industry, organisations need flexible, secure and reliable IT services to ensure their users can deliver rapid and responsive customer services.

For 60 years now, the Union Investment Group has been a reliable fund management partner to both retail and institutional investors. More than four million investors have placed their trust in its wealth of experience, making Union Investment one of Germany's leading providers. To ensure its employees can help customers make the right investment choices, the company needs to empower them with reliable and fit-for-purpose IT services.

For the last 10 years, Union Investment has relied on Computacenter to provide a wide range of workplace IT services. In September 2016, the investment company renewed its contract with Computacenter for an additional six years.

The new agreement expands on the existing services to include greater support for today's digital workplace. Digital Me, Computacenter's user-centric approach to delivering IT services, will ensure that different users' needs are met.



As part of the new agreement, Computacenter will deliver a Next Generation Service Desk (NGSD) for Union Investment's 3,000 employees, who are based in 21 locations across eight countries. NGSD features consumer-inspired IT support services, including self-service features and web chat, delivered via a portal and mobile app.

With workplace transformation at the top of the agenda, Computacenter will transition users to new hybrid devices, Windows 10 and a 'follow me' printing model, which will enhance the company's sustainability credentials, reduce costs and increase security.

Computacenter will also introduce risk scoring and certification for third party mobile apps as part of its mobile device management service. Other security enhancements include implementing advanced analytical tools for Security Information and Event Management (SIEM). These capabilities will help the firm meet regulatory requirements.

By digitalising and personalising workplace services and support, Union Investment will be able to deliver a richer user experience for its employees, enabling them to work more efficiently, collaborate more effectively and respond to customers faster. This will increase productivity and satisfaction and drive greater competitive advantage.

IT and business leaders across the world rank the digital transformation of the workplace environment as critically important to address challenges such as increasingly competitive markets, the war for talent, demographic changes and shifting employee values. Digital Me takes a user-centric approach to helping our customers achieve their business objectives, by enabling and empowering their people with the most appropriate technologies and tools. We will continue developing Digital Me to also address industry-specific challenges through the digitalisation of processes and deployment of user-analytics tools.

Andreas Török
Head of Group Propositions, Computacenter



MAKING DIGITAL WORK

Computacenter understands how the 'Shift to Digital' is affecting customers. This means we can help them to engage their users, build and run platforms and automate their delivery.

UNDERSTANDING THE CUSTOMER

Our account and service managers give us a high level of customer intimacy, enabling us to understand their businesses and the opportunities and challenges caused by the shift to digital. We also gain insight through our expertise in a number of verticals, especially in public services, financial services and manufacturing. At the same time, we employ experienced consultants, who have worked on a broad range of projects and exchange best practice. Additionally, we bring in outside specialists where needed, by partnering with management or business process consultancies.

ENGAGING WITH THE USER

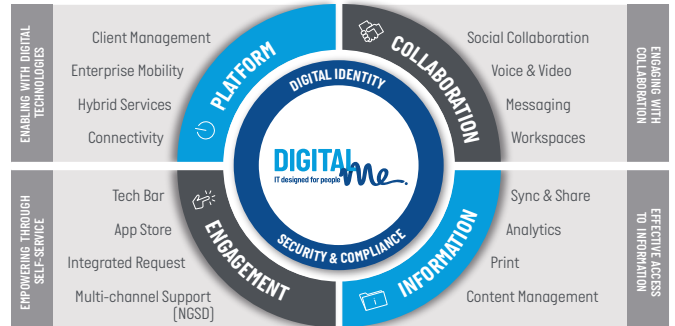
Computacenter's NGSD digitalises interactions with users, offering them services such as issue logging, knowledge articles, online chat and password reset, through a self-service portal and an app. This digitalisation is critical, as only digitised information can be processed in a highly automated way. This in turn allows agents to focus on customer satisfaction, complex problem solving, knowledge creation and service improvements. Uptake of the NGSD has been promising, with three contracts up and running in the UK and two recently signed in Germany and France. User adoption is paramount for success and we have an adoption taskforce to support customers.

BUILDING AND RUNNING PLATFORMS

Platforms create value by facilitating exchange between provider and customer. They reduce complexity and transaction costs, and can usually scale easily. In cloud, customers want a single trusted provider who can manage the complexity of cloud offerings and continuously adjust, transform and improve the cloud environment. We offer Cloud orchestration platform services and can source, provide and manage private and public cloud services.

Customers also want their outsourcing providers to commit to the highest level of security. We build Cyber Defence capabilities, using our knowledge of security providers and their products. This means we can provide the best-integrated mix of solutions in our managed security service.

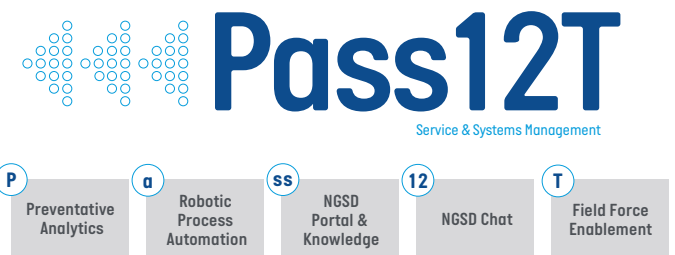
In the workplace, customers want to offer their users a platform that improves productivity through digital office, communications and collaboration technologies. We see tremendous demand for our Digital Workplace offering. It enables users through digital technologies, helps them to collaborate, empowers them through self-service and offers effective access to the information they need.



AUTOMATING THE DELIVERY

Through our Computacenter-branded 'Pass12T' methodology, we offer service industrialisation to customers. Pass12T stands for Prevent – Automate – Self-Serve – 1st Line – 2nd Line – Touch service. By shifting from right to left along this line, we are increasingly helping our customers to reduce service cost.

- **Touch:** We are improving the productivity of our field engineers through our Field Force Enablement app.
- **1st and 2nd Line:** We are systematically introducing chat functionality in order to move users away from calling the service desk (by phone) and thus speed-up resolution time.
- **Self-Serve:** The initial customers for our NGSD solution are seeing significant increases in user self-service, with up to 60 per cent digital interaction. The goal is to relieve the service desk agents, so they can provide value-added services.
- **Automate:** By applying robotic process automation throughout the service process, we look to minimise labour-based and repetitive tasks.
- **Prevent:** We are investigating how we can apply end user analytics to prevent incidents, for example through preventative maintenance of hardware or software.



BUILDING FOR THE LONG TERM

Our services-led strategy is focused on enabling users and their business. The Group's progress against its strategic objectives is transparently measured by the following four key performance indicators.

STRATEGIC OBJECTIVE 1

To lead with and grow our Services business

Services contract base² (£m) **+3.5%**

719



STRATEGIC OBJECTIVE 2

To improve our Services productivity and enhance our competitiveness

Adjusted¹ Services revenue generated per Services head² (£'000) **-3.4%**

86



STRATEGIC OBJECTIVE 3

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

Number of customer accounts with contribution over £1 million² **+11.1%**

100



STRATEGIC OBJECTIVE 4

To innovate our Services offerings to build future growth opportunities

Adjusted¹ Services revenue² (£m) **-1.0%**

1,038



1. TO LEAD WITH AND GROW OUR SERVICES BUSINESS



Leading the growth



We will continue to listen to our customers and prospects, so we can demonstrate how our highly engaged teams can enable their users in this digital world.



Neil Hall
 Director of Business Enablement
 & Contractual Services



WHAT WE HAVE ACHIEVED IN 2016

Over the medium term our Group Contract Base of services has outperformed the market* with 3.5 per cent growth in 2016.

Whilst the Group saw growth there was a small decline of 1.1 per cent in the UK in 2016 due to a couple of large contracts ending. There was progress in the first half, with a significant extension with one of the world's largest multinational conglomerates and new services won at TSB. Other new wins came later in the year, particularly in the public sector with the DVLA and Met Office both signing services contracts. We agreed a Mobility-as-a-Service model with a UK-based energy company, which will ensure we maximise the efficiency and effectiveness of its mobile asset base. This win was helped by our previous investments in our enterprise mobility strategy.

In Germany, the year was dominated by securing significant renewals, giving us greater predictability for the coming years. We maintained good growth of 4.3 per cent in our Contract Base, with new wins largely coming from existing private sector customers including BASF, and a multinational organisation. The pipeline looks strong and we are confident of securing more new customers in the short term.

Our success in France was the most promising, with a 19.6 per cent increase in our Contract Base. Growth mainly came from the private sector, with key wins with a leading tyre manufacturer and Dassault Aviation, helped by our Enabling Users strategy. These wins, coupled with an agreement in Belgium to support Toyota's end users, make us confident of continuing growth outside the UK and Germany.

WHAT WE INTEND TO DO IN 2017

Despite different levels of market maturity across the regions, our Enabling Users message and, in particular, our Digital Workplace propositions are consistently well received. This allows us, and our customers, to benefit from sharing successful teams, tools, processes and practises across the Group.

We will invest more in our operating models in 2017, so we stay relevant and competitive, with greater access to new ways of working such as automation, as well as analytic tools.

With a promising pipeline in most markets, we can continue to outperform the market, using our expanding capabilities, high levels of credibility and commercial strength to benefit our customers and prospects. We will maintain high levels of customer satisfaction, so our customers provide reference points for new opportunities.

We will also continue to balance the short and the long term, by winning new Services deals in 2017 while building a healthy qualified pipeline for 2018 and 2019.

Services contract base² (£m)

+3.5%

719

* IT Services Forecast 2014-2020, Q4 2016 Update, Gartner, shows IT Services across Belgium, France, the UK and Germany at -0.8 per cent (Computacenter addressable market)

2. TO IMPROVE OUR SERVICES PRODUCTIVITY AND ENHANCE OUR COMPETITIVENESS



Driving efficiency



The longevity of our services customer relationships and our resulting ability to reference them to potential customers is testament to our ongoing competitiveness and relevance in the marketplace.



Chris Webb
Group Chief
Operating Officer



WHAT WE HAVE ACHIEVED IN 2016

Last year saw us advance a number of services productivity measures and initiatives. We reviewed our daily engineering work across our UK Managed Services contracts, using expert consultants. This allowed us to compare engineering levels and productivity. We also assessed the suitability of the contracts for our new Field Force Enablement approach and piloted the technology and process solution with a top-three German customer. We worked with our German Works Council to show how the investment improves the experience for engineers and customers. The engineer now receives an optimised work schedule via a smart device and can use the device to capture customer feedback.

As predicted, 2016 saw us expand geographically due to customer demand, opening Service Centres in China and Mexico. We matured our service offering and capability in France and Hungary, attracting significant new contracts with a leading tyre manufacturer and one of the world's largest multinational conglomerates. Our highly productive Service Centre in Cape Town saw existing customers such as Channel 4, Eversheds Sutherland and one of the top four largest UK supermarkets transition their UK-based service desks to take advantage of our experienced South African technical capability and pricing competitiveness. Providing services from off-shore locations with lower delivery costs, as compared to our key geographies, often materially reduces prices for the customer. This makes us more competitive but also makes it difficult to grow this particular KPI, as the headcount used to provide the service often stays the same or increases slightly.

2016 also saw us insource our North American service provision, which was previously delivered through strategic partners. We established Computacenter USA, headquartered in New Jersey, and have grown to a headcount of around 630 people across the USA and Mexico, primarily by transferring in employees from outsource partners. This diluted the KPI by just over two percentage points, as we already enjoyed the revenue without having the employees in our headcount.

WHAT WE INTEND TO DO IN 2017

We will leverage Field Force Enablement across our customers. Most of our large-scale service contracts can embrace this way of working, improving efficiency, employee engagement and customer satisfaction. We will model the benefit into some larger bids and prospects, so we are more competitive from the outset.

We will mature the Mexico and China facilities and expand our service desk offering, exploring new countries to support our customers' native language requirements. Each Service Centre operates in the same way, so they are quick to initialise and we can share work across them, subject to customer agreement and data protection laws.

We will also continue to invest in market-leading tools and innovative process automation, to drive productivity in our shared remote infrastructure monitoring. Automation helps us continuously monitor and better alert on customers' servers, storage arrays, software, applications and networks, whether their arrangements are enabled via their cloud, our Cloud, a partner's cloud or all three.

Adjusted¹ Services revenue generated per Services head² (£'000)

-3.4%

86

3. TO RETAIN AND MAXIMISE THE RELATIONSHIP WITH OUR CUSTOMERS OVER THE LONG TERM



At the heart of our customers



At Computacenter, we often take decisions that detract from our short-term financial performance, to secure long-term customer relationships.



Mike Norris
Chief Executive
Officer



WHAT WE HAVE ACHIEVED IN 2016

At Computacenter, we focus on maintaining and growing our customer relationships over the long term, across our range of products and services. Delivering high levels of service compared to our competitors and achieving a good return on our customers' IT investment encourages them to increase our share of their spend. This approach, along with our focus on winning new customers, helps us to increase the number of customers who contribute more than £1 million of gross profit in constant currency² per year, which remains one of our key performance indicators.

We often take decisions which may be considered detrimental to our Income Statement in the short term but will help us to maintain customer relationships for the long term. This has been particularly prevalent in 2016, as our customers continually seek to reduce their operating costs.

We are pleased with our 2016 performance across the Group, which saw us increase the number of customers achieving greater than £1 million of contribution by 10, from 90 to 100.

WHAT WE INTEND TO DO IN 2017

Maintaining and enhancing our long-term customer relationships is deep in the culture of Computacenter, so little will change in the coming 12 months. However, our increasing geographical footprint enables us to address a larger market, both throughout Western Europe and globally, where we now have a substantial track record of delivering to major customers. As the IT infrastructure marketplace becomes more competitive, we see weakness from some of our competitors which increases our potential to take market share. These longer-term potentials are enhanced in 2017 and 2018 by the likelihood of major projects due to operating system enhancements around end user computing.

Number of customer accounts with contribution over £1 million² **+11.1%**

100

4. TO INNOVATE OUR SERVICES OFFERINGS TO BUILD FUTURE GROWTH OPPORTUNITIES



Building on the strategy



To us, 'Making Digital Work' is not just a phrase. Our offerings and partnerships are geared to support our customers' digital transformation agenda and make digital work for them.



Michael Weiss
Head of Group Strategy
& Marketing



WHAT WE HAVE ACHIEVED IN 2016

NGSD: We successfully implemented NGSD at two UK customers with one, Hays, agreeing to be the focus of our case study on page 20. We won our first contract with a German bank and are building NGSD at a multinational French customer. NGSD received a 2015 AECUS innovation award.

Cloud: In addition to our growing Cloud Supply Chain and Professional Services businesses, we can now help our customers to plan, build and run their private/hybrid cloud environments on standard cloud management platforms. Refer to the Paddy Power Betfair case study on page 34.

Security: We have enhanced our Cyber Defence Centre capabilities, as part of a newly established Group Information Assurance function. From this we co-ordinate and support our Managed Security Services, which are embedded in many of our new Managed Workplace and Infrastructure contracts. Refer to the DekaBank case study on page 26. In Germany, we were named a Security Leader in Experton's Security benchmark.

Digital Workplace: To address our customers' workplace transformation needs and build on our mobility investment, we have created a holistic Digital Workplace offering, comprising platform, collaboration, user engagement, information access, and identity and security management solutions. The Union Investment win is early proof of the exciting opportunity pipeline, and is detailed in a case study on page 12.

The flat performance of the KPI overall was due to lost UK contracts, offset by very strong Services revenue growth in Germany, especially in Professional Services.

WHAT WE INTEND TO DO IN 2017

Digital Workplace: As the pipeline is promising in our core geographies, we will focus on supporting pre-sales and industrialising the take-on. We will continue to develop NGSD in line with customer needs, add capability to manage users' digital identities, and develop use cases to show how the Digital Workplace improves productivity.

Cloud: In response to customer demand, we are integrating public cloud services, such as Amazon Web Services (AWS) and Microsoft Azure, into our Cloud management platform, to offer managed private/hybrid cloud orchestration services and build consulting packages for AWS, Azure and OpenStack.

Security: To benefit from the growing IT Security market, we will leverage our 20 years' experience and more than 150 security specialists that we have in Germany across our core territories.

Strategic partnerships: We have signed a sales and service partnership with ServiceNow, the leading provider of service management software solutions from the cloud. This will help us offer seamlessly integrated NGSD and Digital Workplace solutions.

Adjusted¹ Services revenue² (£m)

-1.0%

1,038

DIGITISING IT SUPPORT

Revenue generation at Hays is dependent on the productivity of its sales consultants. Technology is increasingly being used to streamline the recruitment process, which means employees' IT queries and issues need to be dealt with quickly.

Hays became an early adopter of Computacenter's NGSD solution at the end of 2015. NGSD provides a consumer-like, user-centric experience with anytime, anywhere IT support and knowledge delivered via an intuitive online portal and mobile app. In less than three months, NGSD has transformed IT support and the user experience at Hays.

Via the online portal, 5,500 users in 21 countries can now choose from a range of digitised support features – from logging their own incidents and initiating online chats to searching knowledge articles.

Sixty per cent of transactions now happen online, which is well above the original target of 50 per cent. Online chats have proved particularly popular, with around 1,180 being initiated every month. Sales consultants can continue working while participating in an online chat in the background.

Users are also self-logging more incidents – around 370 per month compared with less than 40 previously. With NGSD, staff outside of the UK can log an incident at any time instead of having to wait for the service desk to open at 7am.

By giving sales consultants and other members of staff access to relevant and responsive support 24 hours a day seven days a week, Hays can maximise the time spent on revenue generating activities, which helps to drive profitable growth. A user-centric support experience will also contribute to greater staff retention and satisfaction.

HAYS

NGSD continues to 'Make Digital Work'. Users will shortly be able to reset their passwords by using biometrics on their smartphone to unlock the NGSD app and request a reset; at any time from any location. This new development means users are able to solve all their issues without having to speak to the helpdesk. Another example is next generation request, which is part of the NGSD solution. This allows users to see the most popular items as selected by their user community, thereby reducing portfolio diversity, order with one click, track through authorisation, fulfilment and delivery, and finally provide direct feedback on the experience. Our customers' employees adopt these experiences quickly and for some customers, more than 60 per cent of interactions are now digital rather than calls to a service desk. Existing and future customers increasingly understand the importance of a great user experience and we are delighted to offer NGSD as standard with our managed helpdesk service.



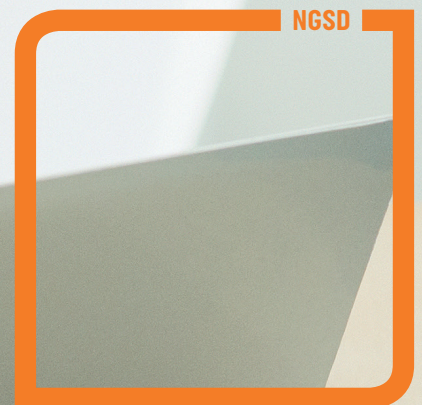
Steve Rayner
Group Service Innovation Director, Computacenter



NGSD has streamlined the support experience for our staff, freeing them up to focus on their day job. It has opened up new engagement channels, providing staff with not only greater choice but also better outcomes.



Simon Gerhardt
IT Production Services Director, Hays



SAFEGUARDING OUR FUTURE



Identifying and assessing risk at the right level of our organisation allows us to empower our people, so they can provide the speed and flexibility our customers want.



Chris Webb
Group Chief Operating Officer



Computacenter applies a rigorous and multi-layered approach to risk management. By blending appetite, model and process, we can manage and control our risks while remaining a customer-centric organisation.

We are well known for putting our customers first and empower our lead customer-facing people, to provide the flexibility and speed of response our customers want. Our governance process underscores this empowerment, by ensuring risks are identified and assessed at an appropriate level in the organisation.

It also allows for alignment with our overall risk appetite. We are often at the cutting edge of technology and services provision, and must balance our many business development opportunities with our ability to deliver and maintain our reputation for customer satisfaction and longevity of customer relationships. As a result, we have a healthy risk appetite for business development where we have experience of the risks and a lower risk appetite where we have less experience. Computacenter continuously applies this risk appetite, through both our risk management process and our Risk Governance Model.

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

Our model uses the well-defined Three Lines of Defence methodology:

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

The main elements of our risk management process are as follows:

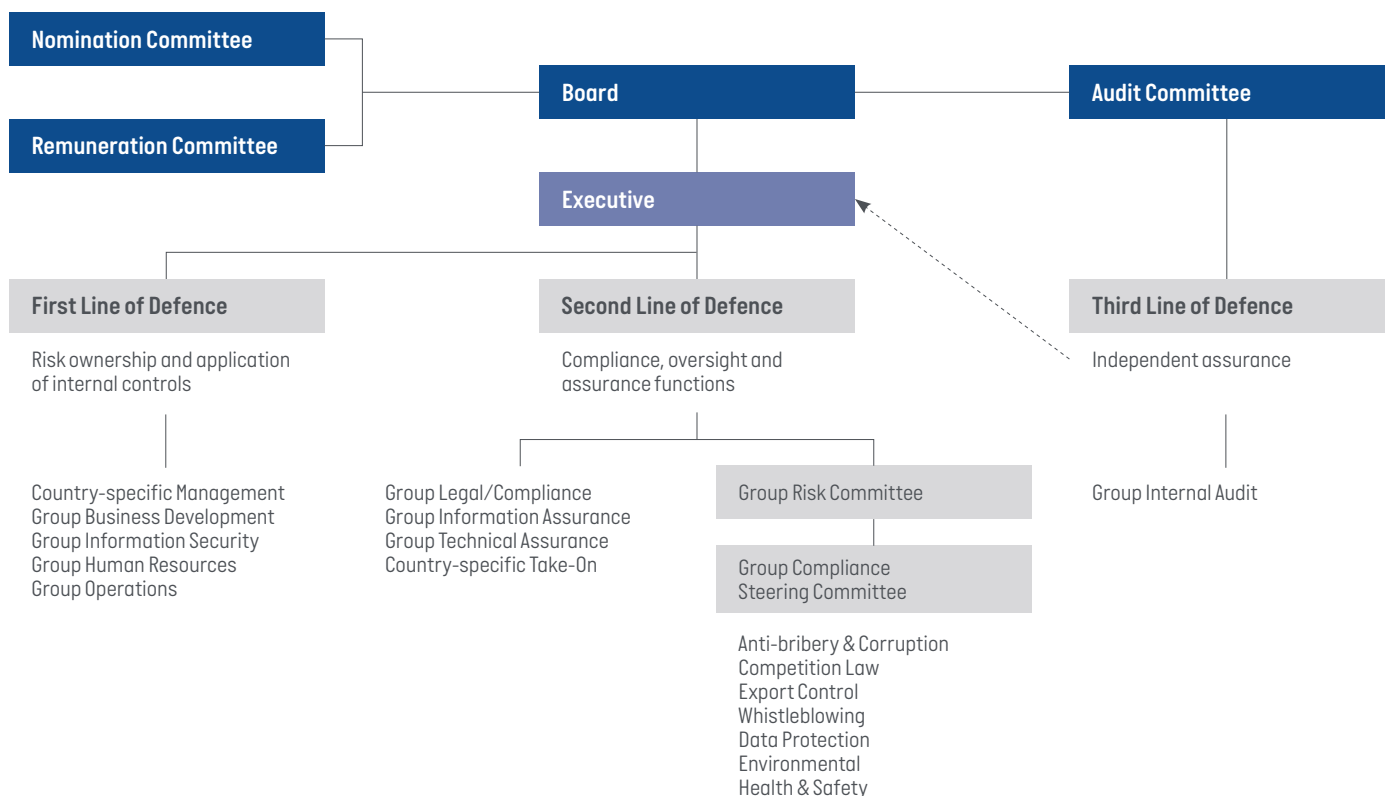
- The adherence to the Schedule of Matters Reserved for the Board ensures that all significant factors affecting Group strategy, structure, financing and contracts are addressed properly by the Directors.
- The Board and Executive Committee consider the principal risks which are the barriers to achieving the Board's strategic objectives.
- The Group Risk Committee, consisting of the Executive Directors, members of the Group Executive Committee and senior managers from across the Group, challenges the effectiveness of mitigations of the principal risks.
- The Group Risk Committee's deliberations, along with the current status of each principal risk, are reported to the Audit Committee and the Board.
- The Group Risk Committee considers each principal risk in-depth at least once a year, by receiving reports from the risk owner and challenging the mitigation approach.
- The principal risk list is reviewed once a year and leverages an annual operational risk review, where operational management identify their everyday risks.
- The Group Compliance Steering Committee, which was added to the governance model during 2016, assesses observance with laws and regulations, and reports to the Group Risk Committee.
- The bid governance process reviews bids or major changes to existing contracts, which aligns with our risk appetite and risk management process.

Risk management as a process to help maximise the chances of achieving our strategic objectives

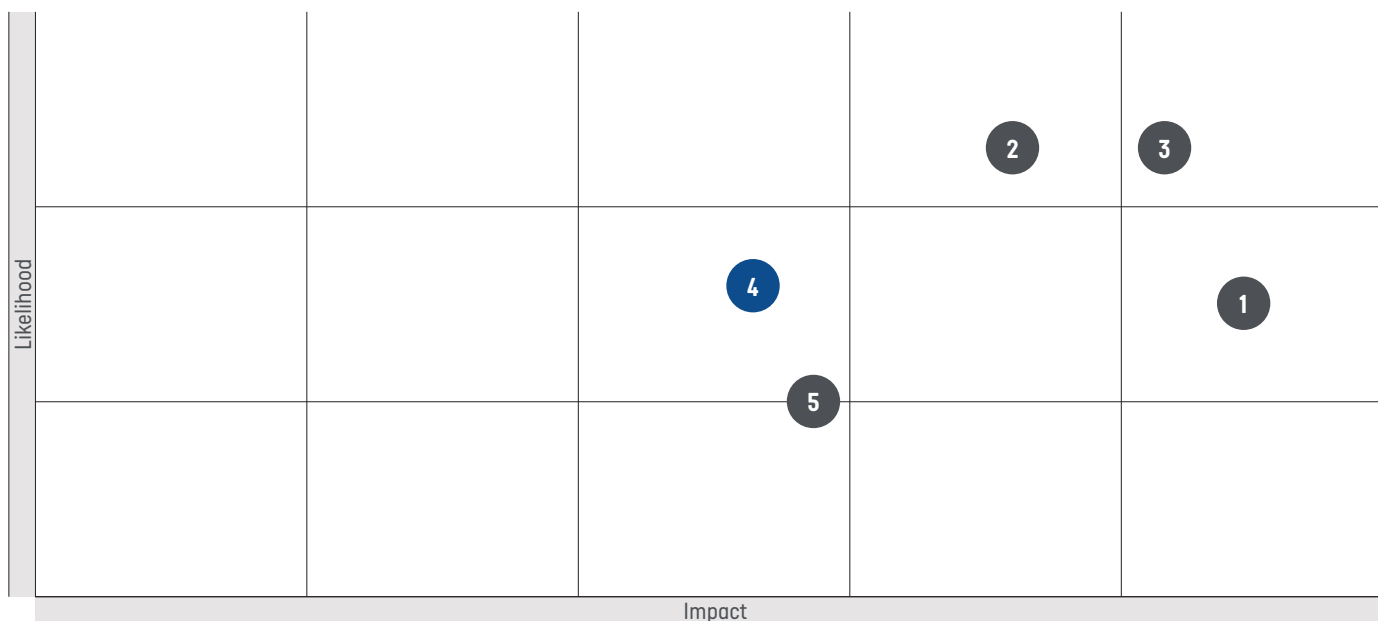
STRATEGIC OBJECTIVES

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

Risk Governance Model



Group Risk Log 2016 Heat Map



Increased risks



Decreased risks



Unchanged risks

Principal risks	Principal impacts	Response to risk	Risk owner	Alert status
<p>1 Strategic Risk</p> <ul style="list-style-type: none"> Technology change dramatically reducing customer demand for our service and product offerings Not investing appropriately or over-investing in the wrong automation, self-service and remote tools, when compared to our competition 	<ul style="list-style-type: none"> Reduced margin Excess operational staff Contracts not renewed Missed business opportunities 	<ul style="list-style-type: none"> Well-defined Group strategy, backed up by an annual strategy process that considers our offerings against market changes Group Investment & Strategy Board considers strategic initiatives Additional measures including CEO-led Country, Sector, and win/loss reviews 	Chief Executive Officer	
<p>2 Contractual Risk</p> <ul style="list-style-type: none"> Failure to deliver against contractual commitments for our Services business Failure to deliver and manage our international business strategies effectively Key empowered decision makers failing to implement appropriate designs and pricing structures 	<ul style="list-style-type: none"> Customer dissatisfaction Financial penalties Contract cancellations Reputational damage Reduced margins Loss-making contracts Reduced service and technical innovation 	<ul style="list-style-type: none"> Mandatory governance processes relating to bids, transitions and transformations Board oversight of significant bids Service management best practice Established commercial governance processes embedded within the business opportunity and sales teams, including detailed cost analysis, risk-based decision-making and discussion of commercial summaries Lessons learnt processes for complex transformations Regular commercial 'deep dives' to manage service productivity improvements Specialist international management team Robust processes governing international business partners [subcontractors], before take-on and in-life, including alternate partners where applicable 	<p>Group Chief Operating Officer</p> <p>Head of International</p> <p>Country Managing Directors</p>	

Principal risks	Principal impacts	Response to risk	Risk owner	Alert status
<p>3 Infrastructure Risk</p> <ul style="list-style-type: none"> Hacking or virus affecting our networks and systems, leading to corruption or loss of business and personal data, or at a customer due to our fault, leading to the loss of customer data Failure leading to unacceptably long or regular short outages of either internal or customer-facing systems 	<ul style="list-style-type: none"> Inability to deliver business services Reputational damage Customer dissatisfaction Financial penalties Contract cancellations 	<ul style="list-style-type: none"> Well-communicated Group-wide information security and virus protection policies Specific inductions and training for staff working on customer sites and systems Specific policies and procedures for staff working behind a customer's firewall Ongoing and regular programme of external penetration testing Policies ensuring Computacenter does not run customer applications or have access to customer data Regular review of cyber security controls All Group standard systems built and operated on high availability infrastructure, designed to accommodate failure of any single technical component All centrally-hosted systems built and operated on high availability infrastructure, with multiple levels of redundancy All centrally-hosted systems benefit from dual network connectivity into core datacenters designed to accommodate loss of network service Standing agenda item for consideration at each meeting of the Group Risk Committee 	<p>Group Chief Information Officer</p> <p>Group Chief Operating Officer</p>	
<p>4 Financial Risk</p> <ul style="list-style-type: none"> Potential effect of UK's departure from EU on our business as a result of anti-UK business sentiment, specific exit strategies or short-term issues such as foreign exchange volatility Underinvesting in our indirect costs, particularly Sales, leading to missed opportunities and top line impact Poor control of working capital Letting our direct costs run out of control and not taking advantage of productivity and cost reduction opportunities 	<ul style="list-style-type: none"> Missed business opportunities Non-renewal of contracts Reduced revenue Reduced margin Financial impact through obsolete stock and/or bad debts Cost base too high compared to revenue 	<ul style="list-style-type: none"> Potential effect of UK's departure from EU is subject to ongoing review by the Group Risk Committee, with particular short-term emphasis on foreign exchange volatility and hedging operations Commitment to excellent customer service and customer relations Deep understanding of the cost of service, allowing adjustable levels of service and customer price Implementation of debt management best practice following the centralisation of Group-wide collection functions at the Budapest Finance Shared Service Centre Increased focus on direct delivery, reducing the level of 'free stock' in warehouses across the Group Range of metrics employed to ensure we properly manage our direct costs and monitor productivity, including KPIs on staff availability, utilisation, cross-charge efficiency and contractor ratio Significant direct costs managed centrally to retain control Enhanced tooling and subsequent reduction in manual activity to deliver cost reductions 	<p>Group Finance Director</p> <p>Group Chief Commercial Officer</p> <p>Group Chief Operating Officer</p> <p>Country Managing Directors</p>	
<p>5 People Risk</p> <ul style="list-style-type: none"> Not recruiting and retaining the right calibre of staff across our customer-facing functions Inadequate succession planning or insufficient depth within key senior executive positions 	<ul style="list-style-type: none"> Lack of adequate leadership Customer dissatisfaction Financial penalties Contract cancellations Reputational damage 	<ul style="list-style-type: none"> Succession planning in place for top 50 managers across the Group Regular remuneration benchmarking Incentive plans to aid retention Investment in management development programmes Regular staff surveys to understand and respond to employee issues 	<p>Group Human Resources Director</p> <p>Chief Executive Officer</p>	

CASE STUDY: SECURITY

DEKABANK



SECURITY

SECURE WORKPLACE SERVICES

As a systematically important financial services institution operating in the investment management market; security, compliance and customer service are critical to DekaBank's operations and business growth. The bank was keen to find a new IT services partner that would help it further improve and reinforce these key factors for success.

DekaBank sought a partner that would not only provide workplace and local area network services and support, but that could also take responsibility for its wide area network (WAN) and voice and telephony provision. Security, compliance and the highest levels of service needed to be ensured across all domains.

DekaBank was able to fulfil all its requirements through a single contract with Computacenter. The IT services and solutions company provides secure workplace services – from on-site and mobility support to central services such as file, email, print, virtual desktop infrastructure and software distribution – for all of DekaBank's 6,000 workplaces users, including locations in New York, Tokyo, Singapore, Paris and London.

Computacenter works with trusted partners to provide WAN and Cisco-based voice and telephony services, and offered DekaBank the ease and assurance of a single contract with stringent service level agreements. The contract incorporates end to end SIEM and vulnerability management.

Leveraging its depth of experience in the financial services sector and best-practice processes, Computacenter helped reduce the risk of transitioning the services from previous suppliers.

DekaBank is now able to offer a secure and high quality workplace IT service for all its users – from desk-based administrators through to mobile representatives and the high-performance needs of its traders. This will help the bank fulfil compliance requirements and also enhance the service it provides to customers, helping it maintain its market-leading position.



The importance of protecting customers' identities and data is higher than ever. Security is a product feature for all industries and is increasingly embedded in existing IT infrastructures, whether on premise or cloud-based. Security is not only about preventative controls. It is also about continuously detecting and responding to attacks, so users are secure in their business and private environments. Computacenter's approach is to embed security in every IT solution and help organisations with their cyber defence programmes across all IT silos. We understand IT and security and know that without security, there is no IT.

Jan Müller
Solution Director of Security, Computacenter



WINNING TOGETHER

Computacenter is committed to building a business that will stand the test of time. We have therefore thoroughly reviewed what we do, and believe we make the most difference by focusing on three areas – diversity and inclusion; future talent and ethical business. This focus will help us to build a business for the long term, which provides jobs for young people and opportunities for those who need them most, in an environment that allows everyone to contribute and perform at their best.

We also have a global Corporate Social Responsibility (CSR) policy, which outlines our approach to our broader responsibilities. More information on our CSR policy and related activities during the year can be found on our website. Our environmental performance is described in this section of the report.

DIVERSITY AND INCLUSION – PEOPLE MATTER

Alongside our services and innovations, our people are a major source of competitive advantage for us. We therefore continually review our approach to attracting and retaining talented individuals. In 2016, we looked closely at what diversity means to us and why inclusion matters. We believe that:

- gender-diverse companies are more likely to outperform their competitors;
- ethnically-diverse organisations are also more successful;
- a business with a rich mix of backgrounds and views stimulates innovation, better mirrors its customers and attracts the best talent; and
- promoting diversity is the right thing to do.

We want Computacenter to be an inclusive and ethical employer with a diverse, talented and motivated workforce. As there is no one better than our people for setting our diversity and inclusion agenda, we created the People Panel in 2016. This is a steering group of more than 20 people from across our territories and business areas. They all have a passion for making the Company the most welcoming it can be, to the talented individuals who work for us and those who would like to. The People Panel are our advisors, tasked with setting our strategic direction, and holding us to account, in these important areas.

Aside from the People Panel’s strategic work, a huge amount of activity goes on every day to promote diversity and inclusion. For example, we are looking closely at what it is like to be a woman in the IT industry and at Computacenter in particular. We have held roundtable discussions with female employees and taken part in external programmes such as ‘Every Woman Counts’ with TechUK. In our German operation, we have appointed a senior female member of our sales team to lead on this topic. In addition, we have begun analysing our gender pay gap, ahead of the new regulations coming into effect in 2018.

As our workforce comes from every corner of the world, we face the challenge of managing a wide range of cultural differences. We take this seriously and our new managers undertake a European ‘how we work’ course, to prepare them for this. In the UK, we have recently introduced our ‘Keep Calm, it’s only Banter’ workshops, demonstrating our commitment to fostering an inclusive culture.

Gender split across the Group

	Male	Female
Directors of the Company	77.8%	22.2%
Senior managers of the Group	80%	20%
Employees in the Group	76.7%	23.3%



We want Computacenter to be an inclusive and ethical employer, with a diverse, talented and motivated workforce.



Barry Hoffman
Group Human
Resources Director



Our focus on diversity starts before the recruitment process begins. We have worked closely with our recruitment partners to examine every stage of the process. For example, we:

- check that we advertise our jobs in publications and on websites with a diverse audience;
- make sure the language we use in our adverts and job descriptions is not discriminatory and appeals to as wide a range of applicants as possible; and
- have a guaranteed interview scheme for disabled applicants in the UK.

For us, inclusion goes beyond the people who work for Computacenter. We also support groups who need help to enter the workplace. Our UK business is involved with the Career Transition Partnership, which, as the Ministry of Defence's official provider, offers resettlement support, career transition advice and training for people leaving Her Majesty's Armed Forces. Through the Herts Chamber of Commerce, we have linked up with Muscle Help Foundation to support five young adults with muscular dystrophy. We will run two days of workshops in Hatfield to show that their disability does not need to be a barrier to them in the workplace. We also run charitable giving programmes in our main geographies.

FUTURE TALENT

Developing the next generation of talent is crucial for Computacenter and for the industry. We have a range of industrial placement programmes, graduate programmes, sales associate programmes and apprenticeships across the business. For example, our Global Support Desk is the largest employer of apprentices in our UK operation, having hired 123 apprentices over the last 18 months, with more than 60 joining us on a permanent basis in the last six months alone. We continually look to develop all our programmes.

Our Future Talent team does outstanding work in 'growing our own' new talent. Their activities range from offering work experience to very young students, to hosting students during their placement year, to supporting those starting their careers as part of our graduate and apprenticeship schemes. To give an indication of the scale of their work, in October 2016 alone, the team attended 18 careers fairs and engaged with more than 3,000 students.

One area of focus in our future talent work is attracting young women into Science, Technology, Engineering and Maths (STEM) careers. We have developed an outreach programme to address the subject in schools, colleges and universities. We also have two Women in Science and Engineering (WISE) Ambassadors who are trained to run internal and external 'People like me' training. This programme helps young women to identify their skills and understand their career options. In addition, two members of our HR Team are STEMNET Ambassadors, who go out through the STEM network and support on a range of different activities and events.

More generally, we link with schools in the area around our head office in Hatfield to offer students work experience, employability workshops and interview training. We are working with a local school through the year-long Educational Ambassador Scheme, which will include helping the school to improve its educational employability curriculum. We also have three 'Inspire the Future' Ambassadors, who link to schools nationally and engage in a range of events from speaking about apprenticeship programmes to how to apply to be a school governor.

ETHICAL BUSINESS

In 2015, we launched our Group Ethics policy. It sets out our commitment to observing the highest ethical standards in our business conduct, explains what we expect from our employees and how they can report any concerns that they have. During 2016, we made progress towards outsourcing our whistleblowing process by introducing an independent, third-party provider. Our intention is to launch this early in 2017.

We regularly review all our policies and processes in order to identify areas for continuous improvement and assess our overall compliance. In the past 12 months, we have reviewed our Anti-bribery and Corruption policies and processes throughout Computacenter. Having done this, we are confident in our internal processes and compliance. Anti-bribery and Corruption training is an integral part of our induction process across the Group.

We have also begun our due diligence and risk assessment processes in preparation for writing our Modern Slavery Transparency in Supply Chain Statement. This has involved us working with areas of the business that play a role in our Supply Chain.

At Computacenter we are proud of our people and never forget that they make us what we are today.

PROTECTING OUR PEOPLE – HEALTH & SAFETY

It is the Group's policy that, as far as is reasonably practicable, a working environment is created and maintained which does not pose an undue risk to the health and safety of our employees, customers, suppliers, sub-contractors, visitors and members of the public. Our approach to health and safety is based on the identification and control of hazards. The prevention of all incidents, particularly those involving personal injury and damage to equipment or property, remains a priority and additionally near-miss investigations are carried out to avoid similar occurrences and to maintain the efficient operation of the business. All of our employees are made aware of the importance of health and safety and contribute to the maintenance of a safe working environment. We promote consultation between employees and managers concerning matters of health and safety and provide the necessary finance, equipment, personnel and time to ensure its implementation and maintenance.

During 2016, we have seen a solid health and safety performance driven by an established Health & Safety Management System. We have continued to maintain the Accident Incident Rate (AIR), which is the number of accidents per 1,000 employees, across our main operating geographies to below 2.8 and in the UK and France, the Accident Frequency Rate (AFR), which is the number of accidents per 100,000 working hours, to below 0.9.

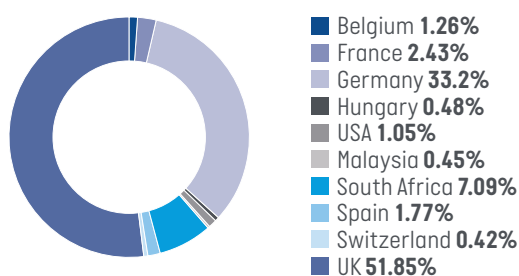
Average results for 2016

	AIR	AFR
UK	2.74	0.44
Germany	1.54	0.88
France	0.83	0.46

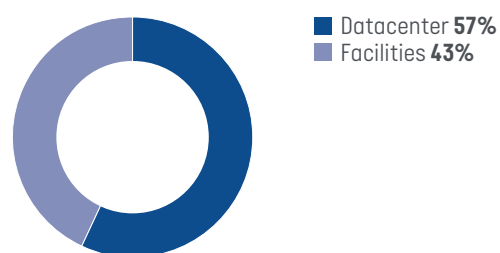
Computacenter plc mandatory greenhouse gas emissions reporting	Methodology	Recent UK-based emission reduction projects												
<p>Global GHG emissions data for period: 1 January to 31 December 2016.</p> <p>Emissions = Metric Tonnes of CO₂e</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2016</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Scope 1</td> <td>3,304</td> <td>3,565</td> </tr> <tr> <td>Scope 2</td> <td>22,214</td> <td>21,230</td> </tr> <tr> <td>Total</td> <td>25,518</td> <td>24,795</td> </tr> </tbody> </table> <p>Scope 1 = Combustion of fuel and refrigerants usage Scope 2 = Electricity, heat, steam and cooling purchased for own use</p> <p>Group's chosen intensity measurements: Emissions as reported above are 7.86 metric tonnes per £m value of Group revenue: [2015: 8.11, a decline of 3.1%].</p> <p>Emissions as reported above 1.80 metric tonnes per Group employee [2015: 1.92, a decline of 6.25%].</p>	Year	2016	2015	Scope 1	3,304	3,565	Scope 2	22,214	21,230	Total	25,518	24,795	<p>We have used the main requirements of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition).</p> <p>Emission factors used are from the UK Government's Conversion Factors supplied by Defra.</p> <p>Based on external consultants Excel spreadsheets were further developed internally to include the full requirements to collate the additional emissions such as refrigerants.</p> <p>This activity has been conducted as part of our UK Environment Management System registered to ISO 14001:2004 [EMS 71255].</p> <p>Group properties included in this report are all current locations in the UK, Germany, France, Belgium, Spain, South Africa, USA, Switzerland, Malaysia and Hungary.</p> <p>We have reported on all of the emission sources required under the Companies Act 2006 [Strategic Report and Directors' Reports] Regulations 2013.</p> <p>Limitations to data collection Less than 5% of emissions were estimated or based on an average energy usage per square foot of space occupied.</p>	<p>Continued operation of 4 Voltage Optimisation Units saving 7-10% of electricity usage per year.</p> <p>Continued investments in new technology helping reduce emissions in datacenters. The electricity used in the datacenters is circa 57% of the total for the UK. These datacenters host customer's Information Technology in the form of servers thus reducing their carbon footprint however, this increases the emissions for Computacenter as we become the landlord.</p> <p>Investment was also made in the replacement of more efficient gas boiler systems and air conditioning at the UK Hatfield and London offices.</p> <p>The UK warehouse continued to have more lighting replaced with energy efficient LED devices.</p> <p>Limitations to data collection Less than 5% of emissions were estimated or based on an average energy usage per square foot of space occupied.</p>
Year	2016	2015												
Scope 1	3,304	3,565												
Scope 2	22,214	21,230												
Total	25,518	24,795												
Scope 1/2	This data is available for the UK and is reported annually in the Carbon Disclosure Project reports for both the Investors & Supply Chain requirements.													
Energy Efficiency Scheme [CRC] [CRC8804716]	The UK continues to fully comply with this scheme registered as a participant.													
Packaging Waste Regulation	Via the compliance company Paperpak, the UK are registered as a distributor of product ensuring full compliance since 2000.													
ISO 14001:2004 [EMS 71255]	The EMS of the UK has been registered to this standard since 2003.													
Energy Savings Opportunity Scheme [ESOS]	Computacenter complied with this new law by submitting our energy report which covers the period 5 December 2015 to 4 December 2019.													

The chart below shows how the emissions are split by country showing the percentage:

Emissions = 25,518 Metric Tonnes of CO₂e



The chart below shows how the UK Energy Usage is divided by percentage:



DELIVERING FINANCIAL VALUE

Measuring our performance is key to future growth and achieving our aims. The information below highlights the key performance indicators used by the Board and Management to measure the consistent delivery of financial value to our shareholders over the last five years.

FINANCIAL OBJECTIVE 1

Adjusted¹ revenue (£m) **+6.3%**

3,245.4



FINANCIAL OBJECTIVE 2

Adjusted¹ profit before tax (£m) **-0.6%**

86.4



Our aim is always to improve our financial performance in a way that is sustainable and facilitates the delivery of long-term value for shareholders. We always consider the long-term financial impact in our decision making process.

FINANCIAL OBJECTIVE 3

Adjusted¹ diluted earnings per share (pence) **+1.1%**

54.0



FINANCIAL OBJECTIVE 4

Dividend per share (pence) **+3.7%**

22.2



A reconciliation between key adjusted¹ and statutory measures is provided on page 46 of the Group Finance Director's Review. Further details are provided in note 4 to the Financial Statements, Segment Information.

OUR PERFORMANCE

FINANCIAL PERFORMANCE

The Group's adjusted¹ revenues decreased by 0.5 per cent in constant currency² to £3,245.4 million, and increased by 6.3 per cent in actual currency² [2015: £3,054.2 million]. The Group's statutory revenues increased by 6.1 per cent to £3,245.4 million [2015: £3,057.6 million] in actual currency².

The Group's adjusted¹ profit before tax decreased by 4.3 per cent in constant currency² to £86.4 million, and by 0.6 per cent in actual currency² [2015: £86.9 million]. In 2016, we saw another year of progress for the Group with adjusted¹ diluted earnings per share, the Group's primary measure, increasing by 1.1 per cent to 54.0 pence. This is despite the fact that our 2015 results included a £3 million gain from the unusual timing of contract lifecycles which, as we highlighted in our 2015 Interim Report, would not repeat in future years.

The Group made a statutory profit before tax of £87.1 million, a decrease of 31.3 per cent in actual currency², having been significantly assisted by a gain on the disposal of the Group's subsidiary, RDC, during 2015. This resulted in the Group's statutory diluted earnings per share decreasing by 36.3 per cent to 52.3 pence in 2016 [2015: 82.1 pence].

The significant decline in the value of sterling against most currencies during 2016, in particular the euro, has resulted in significant growth in actual currency² of our revenues and profitability as a result of the conversion of our foreign earnings. This has increased 2016 adjusted¹ profit before tax by circa £3.5 million. In 2015, the movement in the foreign exchange rates impacted earnings adversely by circa £2 million.

In 2016, the Group reported a net gain of £1.4 million [2015: £41.1 million] from exceptional items. The Group reversed £3.0 million of fair value adjustments made on acquisition of a German subsidiary in 2009, as an exceptional gain. The exceptional cost of the French restructuring remains in line with that reported in our 2016 Interim Report, with a full year cost of £1.1 million.

SERVICES PERFORMANCE

The Group now has reported annual Services revenues of over £1 billion for the first time.

The Group's adjusted¹ Services revenue decreased by 1.0 per cent on a constant currency² basis to £1,037.9 million, and was up by 4.8 per cent in actual currency² [2015: £990.3 million]. The Group's statutory Services revenue increased by 4.8 per cent to £1,037.9 million [2015: £990.5 million] in actual currency².

The UK Services business was disappointing in 2016. The win rate in 2015 was weak and has not provided the momentum into 2016 required for both the Contract Base and the utilisation of the resources in the Professional Services business, which saw record levels of engagement in 2015 driving volumes and margins. Whilst the UK business remains successful in renewing contracts, customer cost pressures and an emerging trend of mid-life contract renewals is impacting on the size of the Contract Base.

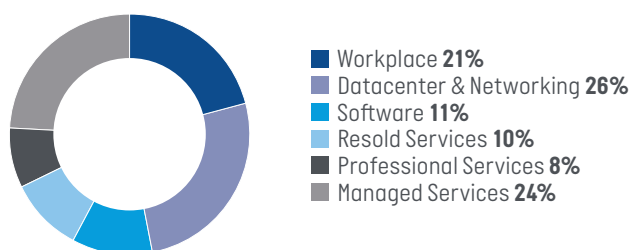
After a breakthrough year in 2015 for Computacenter Germany's Services growth rate, the business continued to win new work, hit renewal targets and took on 14 new contracts. Whilst several of the take-on contracts had cost overruns, these are now complete and are profitably delivering in the 'run' phase. There was some difficulty in the delivery of certain contracts, which constrained Services margin and reduced the overall result. Revenue recognition adjustments have been made during the year, for any future losses, within operating costs where appropriate.

The Contract Base renewal and growth during 2016 will continue to drive the German business through 2017. The German Professional Services business grew strongly in 2016, with utilisation of what is an increasingly scarce resource in the marketplace at record levels and with the projects and consulting business lines seeing material growth.

The recent Managed Services revenue decline in France has halted, with small gains recorded in 2016. More promisingly, the business had a number of significant wins in 2016, which will help to diversify the business away from the reliance on a small group of material contracts. Service quality delivered by our French business continues to improve alongside customer satisfaction, providing the local referenceability to generate further bid opportunities for the pipeline. The Professional Services business has seen further declines. Lack of volume continues to depress utilisation of the French central services engines, which increases margin pressures. The business took further steps in the second half of the year, as indicated in our 2016 Interim Report, to reduce over-resourcing in this area and address the cost base.

The pipeline for Services opportunities that we will be bidding for in 2017 remains strong and varied in Germany, but less so in the UK where the outsourcing market is more mature. We continue to refine our propositions in the UK, in order to address opportunities as they arise. In France, we are focused on a handful of material opportunities to continue to develop the business.

Group revenue by business type (%)



SUPPLY CHAIN PERFORMANCE

The Group's adjusted¹ Supply Chain revenue was down by 0.3 per cent on a constant currency² basis at £2,207.5 million, and increased by 7.0 per cent in actual currency² (2015: £2,063.9 million). The Group's statutory Supply Chain revenue increased by 6.8 per cent to £2,207.5 million (2015: £2,067.1 million) in actual currency².

Revenues for the UK Supply Chain business accelerated through the fourth quarter, to recover from the poor start to 2016. Whilst still below Management's expectation for the year as a whole, this late strength was pleasing. Of concern was the continued significant pressure on margins within the UK, which impacted the overall result. These margin pressures have not been seen within our other geographies or within our competitors, and partly related to a different customer mix.

The German Supply Chain business delivered further growth, on top of the outstanding performance in 2015. With modest growth at a headline level, the shift away from Workplace into Security, Network and Cloud infrastructure that occurred during the year has been managed successfully, whilst maintaining overall performance.

The French Supply Chain volumes continued to decline, in line with expectations, as the business began to reach the conclusion of its strategy to exit mid-market, low-margin generating business, particularly in Software. As the business has focused on enterprise level customers and rebalanced its sales mix towards Datacenter and Networking related product sales, the margins have returned strongly as hoped.

Following the completion of the Windows 7 work programmes in 2015, the business has, largely, managed the changing portfolio of opportunities to leverage our strengths in Security, Datacenter and Networking and grow the overall Supply Chain business successfully. Throughout the Group, customer demand for Windows 10 workplace infrastructure refreshes is gathering momentum and we expect to see incremental benefit from the return of the Workplace business.

CASH

The net funds³ position of the Group strengthened by £23.7 million from £120.8 million at 31 December 2015 to £144.5 million at 31 December 2016.

The Group remains conscious of the responsibility to shareholders to maximise the return on its cash assets and continues to investigate opportunities to make best use of the funds available.

DIVIDEND

The Board is pleased to propose a final dividend of 15.0 pence per share. The interim dividend paid on 14 October 2016 was 7.2 pence per share. Together with the final dividend, this brings the total ordinary dividend for 2016 to 22.2 pence per share, representing a 3.7 per cent increase on the 2015 total dividend per share of 21.4 pence.

Subject to the approval of shareholders at our Annual General Meeting on 4 May 2017, the proposed dividend will be paid on Friday 9 June 2017. The dividend record date is set as Friday 12 May 2017, and the shares will be marked ex-dividend on 11 May 2017.

The Board has consistently applied the Company's dividend policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times. Further detail on the Company's dividend policy can be found in the Group Finance Director's Review on page 51.

INVESTMENT

Computacenter has continued the investment made through the Income Statement, that has been a feature in recent years, in order to maintain its organic growth. This pace of investment looks set to be maintained through 2017.

During the year, we saw the pilot launch of Field Force Enablement, our new automation toolset for our field and site engineering workforce, which will increase productivity by assisting the move from a resource-based operating model to an event-based model. We have also launched our Digital Workplace proposition, Digital Me, which underpins our enabling users strategy. The demand for our NGSD offering remains encouraging, both from an existing customer base but also as a differentiator in Managed Services bids. Rollouts of NGSD range from the standard deployments of our toolset through to a bespoke NGSD, built within customer toolsets. Other investments include extending and deepening our ServiceNow capabilities, and further provisioning within our Mobility, Cloud and Security offerings.

In addition, we will continue to invest in our internal systems to improve the productivity of our Services resources, particularly to enable our field force with technology. Whilst we have completed the refurbishment of our Blackfriars property in London, and returned from our temporary leased accommodation, we are close to finalising plans to replace our German headquarters in Kerpen with a new facility, including an office complex and warehouse.

OUTLOOK

Whilst in 2016 we had record adjusted¹ diluted EPS, it was a year of mixed fortune with the UK business profitability reducing materially but the overall Group performance showing resilience due to the strength in Germany and the turnaround in France. The Group should have a year of progress in 2017, with a rebalancing of profits between the first and second halves of the year towards the historical pattern.

We expect the UK to see modest improvements due to Professional Services and Supply Chain helping the overall performance. While Germany will be coming off a strong year, and therefore a difficult comparison, the business has strong momentum and potential to improve Services margins. For the French business we would be happy to repeat the same bottom line, with some deterioration in our Supply Chain compensated by improvement in Services revenue.

New technologies, and the drive to digitalisation within our core customer base, are driving our customers to invest capital in new projects which is unlikely to abate, however, this is coupled with a resolute desire to reduce run rate operating costs. As a business we have to step up to this challenge and improve our competitive position by focusing on productivity gains and automation.

Mike Norris
Chief Executive Officer

13 March 2017



2016 was a mixed year for Computacenter. We have continued to invest in our capabilities and focused on productivity, and we expect a year of progress in 2017.



CASE STUDY: CLOUD

PADDY POWER BETFAIR

Operating in the highly competitive and increasingly regulated e-gaming industry, Paddy Power Betfair's success depends heavily on its ability to launch exciting new games and services quickly and keep abreast of regulation.

With its existing datacenter infrastructure reaching end of life, the company opted for a new approach and decided to implement a private cloud environment featuring Software-Defined Networking (SDN).

AHEAD OF THE GAME

Paddy Power Betfair turned to long-term partner Computacenter to help design and implement the solution. Computacenter provided the technology benchmarking and validation services to help Paddy Power Betfair select the optimum infrastructure platform, comprising flash storage, computing power and networking devices.

As the project unfolded, Computacenter's experts helped the e-gaming company take advantage of newer technologies as they emerged on the market, while ensuring they still complied with the approved reference architecture.

The private cloud environment offers Paddy Power Betfair the flexibility and scalability it needs to develop, test and launch better e-gaming products in a shorter timeframe. Development teams are more productive while infrastructure teams can now spend more time on strategic projects. The solution also has a smaller datacenter footprint, which reduces costs and management time.

With greater agility, increased productivity and better e-gaming products, Paddy Power Betfair will be able to improve the customer experience and competitive advantage.



As the accelerating rate of change in information technology continues to drive disruption across all markets, the need to innovate has never been more pressing. A key driver for corporate decision-makers is the need to 'digitise business' by ensuring that business functions are delivered more efficiently from flexible, secure and cost effective platforms. Computacenter is uniquely positioned to independently help organisations acquire, build and manage hybrid cloud solutions to underpin their digital agenda using best of breed partnerships with private and public cloud providers.

Pierre Hall
Director of Solutions, Computacenter



With Computacenter's help and advice, we've established a datacenter platform that will provide the foundations we need going forward as our newly merged company continues to flourish.



Stephen Lowe,
Head of Technology, Integration, Paddy Power Betfair



UNITED KINGDOM

Adjusted¹ revenue (£m) -1.1%

1,391.7



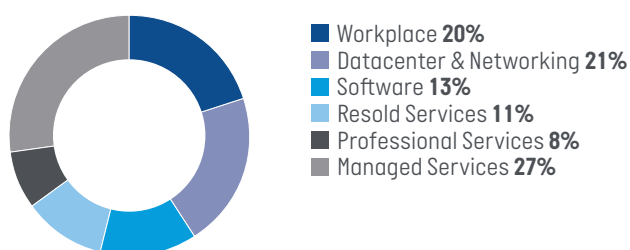
Adjusted¹ operating profit (£m) -21.1%

46.8

Services contract base (£m) -1.1%

309.0

UK revenue by business type [%]



FINANCIAL PERFORMANCE

The overall performance of the UK business was disappointing. Whilst Supply Chain revenues increased, driven by a particularly strong second half, gross margins came under pressure throughout the year. Services revenues declined in both Managed Services and Professional Services, which reflected the successful conclusion of significant projects in the latter stages of 2015 and the lower than expected Managed Services wins in 2015. This led to resource management challenges across our central operations. Wherever practical we reviewed these and flexed down appropriately, mainly by reducing contractors.

We are pleased with the number of new customers added during 2016, particularly in our Public Sector business, and this bodes well for the future. Whilst we saw erosion in the Managed Services Contract Base, through foreseen changes, we were pleased with our renewals rate and renewed some contracts early, leaving less risk moving forward. We also saw a number of significant new contract wins.

Adjusted¹ revenue in the UK business declined by 1.1 per cent to £1,391.7 million (2015: £1,407.4 million). Adjusted¹ operating profit decreased by 21.1 per cent to £46.8 million (2015: £59.3 million), whilst statutory profit before tax decreased by 54.0 per cent to £47.0 million (2015: £102.1 million).



Our UK business had a more difficult year than we expected in 2016, particularly at the margin level, but the number of new customers we added bodes well for the future.



Kevin James
Managing Director,
UK



SERVICES PERFORMANCE

Adjusted¹ Services revenue declined by 7.6 per cent to £491.9 million (2015: £532.4 million), with revenue decreases of 5.5 per cent in Managed Services and 13.7 per cent in Professional Services. This reflected a lower than expected win rate across our Services business. However, retaining our existing customers is always a key focus and retention remained high. As signposted last year, the UK benefited by £3 million, both on a revenue and profitability basis, in 2015 from the unusual timing of contract lifecycles.

Managed Services had another busy year of contract renewals, and customers continued to bring renewals forward prior to the end of their initial term. We firmly believe that this reflects the quality of service and commitment that the business provides for its customers. During the year, we were pleased to see some new in-year Managed Services wins with a combined Annual Contract Value (ACV) of circa £24 million, and we continued to focus on developing our Managed Services pipeline. We are confident that we enter 2017 in a stronger position to develop these opportunities and to grow our Contract Base, whilst continuing to renew and extend our current contracts.

The renewal rate inevitably puts pressure on revenue and margins within those contracts. During the year, we undertook successful initiatives across our Managed Services business in order to drive operational efficiency through further use of centralised services and site-based operational effectiveness, resulting in an improved Managed Services margin. This helped, in part, to mitigate the lower rate of new contracts that were won in 2015 and the resulting lower Managed Services revenues in 2016, both in running the Managed Services contracts, and in business take-on activity which drives our Professional Services engagements. Our UK business continues to be recognised for its service quality in independent customer satisfaction surveys carried out, for the industry as a whole, by KPMG and the Whitelane Research Group during the year. In the Whitelane survey, we were ranked first place for end user services.

During the year, Professional Services saw an increase in demand for Workplace Infrastructure solutions across our customer base, primarily with Windows 10 transformations. However, 2016 revenue from these projects was lower than expected, as they slipped to later in the year and also into 2017. Our improved execution enhanced our margin in 2016. As we enter 2017, we are confident of achieving our growth targets in this key area, with strong demand for our services to support existing and new customers in delivering their digital strategies.

In 2017, we expect significant Windows 10 project rollouts and infrastructure transformation in Cloud, Networking and Security across our customer base, which will continue to drive growth.



SUPPLY CHAIN PERFORMANCE

This was a year of two contrasting halves, with volumes and momentum clearly increasing over the summer and into the autumn, post the significant uncertainty and reduced confidence prior to the Referendum to leave the European Union in June 2016. Adjusted¹ Supply Chain revenue declined by 3.9 per cent in the first half, including circa £20 million of very low margin transactions. Pleasingly, the second half was stronger than the second half of 2015, with revenue growth of 9.2 per cent. This meant we saw growth of 2.8 per cent to £899.8 million for the year as a whole (2015: £875.0 million), following a flat performance in 2015. However, gross margins came under significant pressure throughout 2016, partly through customer mix and some decline in specific accounts.

Kevin James
Managing Director, UK

13 March 2017

GERMANY

Revenue (€m) **+3.1%**

1,702.6



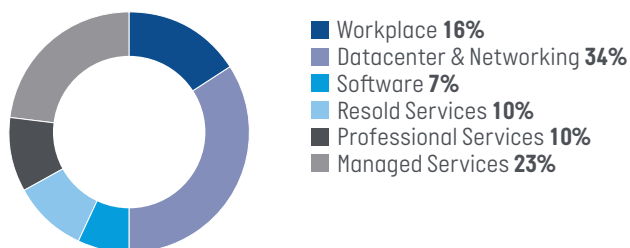
Adjusted¹ operating profit (€m) **+15.4%**

43.5

Services contract base (€m) **+4.3%**

381.0

Germany revenue by business type [%]



FINANCIAL PERFORMANCE

The German business performed well in 2016 and ended the year ahead of our expectations, reflecting customers' willingness to invest in IT infrastructure and new solutions.

Performance in 2016 was driven by significant Services growth and good Supply Chain performance. High customer demand for Professional Services related to our core technology areas delivered strong results. We improved margins in Supply Chain and successfully shifted the business mix into Cloud and Networking. A small number of critical deals underperformed in our Managed Services business but overall this area is growing and generating good margins. We are starting 2017 with strong pipelines in every business.

Total revenue increased by 3.1 per cent on a constant currency² basis to €1,702.6 million [2015: €1,651.9 million], and by 16.1 per cent in actual currency². Adjusted¹ operating profit for the German business increased by 15.4 per cent in constant currency² to €43.5 million [2015: €37.7 million], and by 29.6 per cent in actual currency². Statutory profit before tax increased by 28.3 per cent in constant currency² to €46.2 million [2015: €36.0 million], and increased by 44.3 per cent in actual currency².

SERVICES PERFORMANCE

Services revenue grew by 7.2 per cent in constant currency² to €560.1 million [2015: €522.5 million], and grew by 20.7 per cent in actual currency². This included growth of 14.3 per cent in Professional Services and 4.4 per cent in Managed Services, both on a constant currency² basis.



We had a good year in Germany, with higher revenue and increased margins contributing to robust profit growth. The business has strong momentum going into 2017.



Reiner Louis
Managing Director,
Germany



In 2016, the Managed Services business focused on a number of big renewals where contracts ended or will end in 2017. We successfully renewed most of these contracts, including with a global chemical company and a leading German investment bank. We believe this reflects our strong customer relationships and quality of service. We were particularly pleased to renew two contracts that we had previously designated as onerous, on improved financial terms. We also had some significant new wins, which will contribute to future growth. Most notably, we won a three-and-a-half year Managed Services contract with National Aeronautics and Space Research Centre (DLR), where we will take over Workplace, Communication, Networking and Datacenter Services in the second half of 2017.

During 2016, we took on 14 new contracts. Of these, three had significant cost overruns which are now behind us. While the vast majority of in-life contracts are performing satisfactorily, we still have two problem contracts where we made losses in 2016 and took revenue recognition adjustments for future losses within operating costs. Both of these present a significant opportunity for improvement to the bottom line in 2017. The Managed Services pipeline remains strong, with some significant opportunities.

Our German Professional Services business was probably the Group's star performer in 2016. The growth in our consulting and project business demonstrates that our customers trust our skills and expertise. Professional Services activity was dominated by services relating to the digital workplace, security, and building and expanding cloud infrastructures for our customers. In particular, we were delighted to be chosen by a federal government customer to help build a new cloud infrastructure for several government departments. The scarcity of Professional Services resource continued during the year, and whilst the business took many new engineers and experts on board, it is likely that this will remain the case in 2017. This is a challenge for recruitment but an opportunity for margins.



SUPPLY CHAIN PERFORMANCE

The German Supply Chain business performed well in 2016, achieving revenue growth of 1.2 per cent on a constant currency² basis to €1,142.5 million (2015: €1,129.4 million), and 13.9 per cent in actual currency². We benefited from a strong Security, Networking and Cloud business, which compensated for a decline in our Workplace business. Because we grew these businesses and managed margins properly, the overall growth in contribution from Supply Chain was strong.

In Networking and Security, we have seen particularly strong growth across the core Networking refresh, Cloud Building and Security infrastructure sub-segments. In Datacenter, we continued to benefit from our Cloud Building strategy and from a growing interest in SAP Hana infrastructure installations. We expect that Windows 10 will drive demand for Workplace infrastructure refreshes, beginning in the second half of 2017. With strong momentum in our core segment comprising of Networking, Cloud and Security, 2017 should be a good year for Supply Chain.

Reiner Louis
Managing Director, Germany

13 March 2017

DIGITAL JOURNEY

IT.Niedersachsen is the central IT service provider of the Lower Saxony State Administration. The state-owned company has approximately 650 employees, and currently manages central IT services for around 50,000 users on different platforms, and approximately 8,500 workstations.

Developing eGovernment services is a key objective for all federal states in Germany. IT.Niedersachsen designs IT services to balance standardisation with the necessary level of individual tailoring required by the customer, and the advanced digitalisation of workstations, as part of the digital workplace for Public Sector civil servants in Lower Saxony.

Together with Computacenter, IT.Niedersachsen has implemented a number of projects that support the state's digitalisation strategy.

This has enabled Computacenter to support the mobile devices of employees from various departments of the Lower Saxony state administration, and it has implemented a mobile device management solution to safeguard data security and to manage smartphones and tablets professionally. Users can choose between devices with different platforms such as Apple iOS, Android or Windows. By promoting greater mobility, the state-owned company is instrumental in supporting the flexibility and productivity of its customers.

As part of the NiC (IT.Niedersachsen Client) project, Computacenter also worked with IT.Niedersachsen to migrate 8,500 desktop computers to Windows 8.1, thereby introducing a standard across its estate that can be centrally managed. This not only resulted in significant savings in software and infrastructure costs, but has also optimised the workplace environment for state employees.

In addition, the Lower Saxony Ministry of Interior and Sports has worked with Computacenter to develop a concept based on the federal E-Administration guidelines for the realisation of media disruption-free business processes in the state administration. This new highly modular solution is based, amongst other things, on the Microsoft SharePoint server and bonnea from bonnea. It enables convenient e-cooperation, the integration of specialised procedures, and implements a legally secure electronic file management for authorities with higher user acceptance.

Computacenter's extensive experience within the public sector was the decisive factor for the successful collaboration with the Lower Saxony Ministry of Interior and Sports and its secondary state enterprise IT.Niedersachsen.



IT.Niedersachsen



Digital transformation is also high on the agenda for our public customers. Under the heading of 'eGovernment', they aim to provide citizens and businesses with modern, demand-based and secure administrative services. At the same time, digitalisation is making administration processes easier and more efficient, while improving the working environment at public authorities.

We help our customers with the digital transformation of administrative services, by providing consulting and implementing and managing modern infrastructures. In doing so, we focus on cloud computing, the Digital Workplace and secure mobile solutions, depending on the customer's specific needs. Other features include the digitalisation of administrative processes and the introduction of electronic files for cutting-edge administration.

Manfred Lieske
Sector Director Public Services, Germany, Computacenter



Computacenter's professionalism and efficiency supported a very productive environment of cooperation. The close coordination of our teams and the fast, solution-oriented approach ensured the success of this project.



Rolf Hoppe, Head of Department 2 – Applications and Processes,
Project Manager NIC, Hanover,
IT.Niedersachsen



PUBLIC SECTOR

FRANCE

Revenue (€m) **-9.7%**

495.0



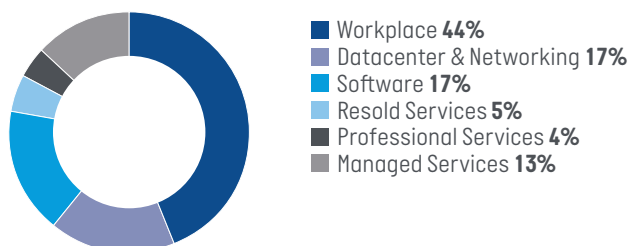
Adjusted¹ operating profit (€m) **+€5.7m**

3.5

Services contract base (€m) **+19.6%**

95.9

France revenue by business type (%)



FINANCIAL PERFORMANCE

The Group's French business performed well ahead of our expectations in 2016. The benefits of the major restructuring exercise in 2014 began to come through towards the end of 2015 and this trend continued throughout 2016, turning our 2015 operating loss into an operating profit in 2016.

Total revenue for the French business declined in constant currency² by 9.7 per cent to €495.0 million (2015: €548.1 million), and increased by 1.7 per cent in actual currency². As in the previous year, this revenue reduction resulted from our decision to move the Supply Chain business away from high volume, low margin and working capital intensive activities. This improved product gross margins, which now lead Group standards.

During the year, the adjusted¹ operating loss evolved towards an adjusted¹ operating profit in constant currency² of €3.5 million (2015: loss of €2.2 million), an increase of £4.5 million in actual currency². The statutory operating loss before tax, on a Segmental basis, also turned into a profit during the year increasing from a loss of €4.3 million in 2015 to a profit of €2.1 million in 2016 on a constant currency² basis, an increase of £4.8 million on an actual currency² basis.

“

Our efforts to restructure the French business and focus on higher margin work paid dividends in 2016, with the business continuing its positive trend and returning to profit.

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Lieven Bergmans
Managing Director,
France



SERVICES PERFORMANCE

Services revenue decreased by 2.6 per cent in constant currency² to €84.5 million [2015: €86.8 million], and increased by 9.5 per cent in actual currency².

We were pleased with the performance of our Managed Services business, which grew revenue by 1.5 per cent in constant currency², and by 14.0 per cent in actual currency². Our French Managed Services business is now taking full advantage of the standardised best practice approach offered by our GSD facilities, from the GSD centres in France, USA and Mexico. Despite this operational change, we have maintained overall customer satisfaction levels. This was confirmed in the IT outsourcing study from Whitelane Research Group. This study, that Whitelane performs for the industry as a whole, measured the performance of major outsourcing providers in France. Computacenter France retained first place for customer satisfaction in end user Managed Services contracts.

Towards the end of the year, we signed major contracts with Dassault Aviation and a leading tyre manufacturer, which increased our local annual Managed Services Contract Base by 19.6 per cent. Both contracts will be fully operational in the first half of 2017 and will help us to fulfil our Managed Services ambitions for the year.

We continue to invest in developing our Professional Services business and see a good opportunity to expand our skills, by offering our expertise for existing Supply Chain and Managed Services customers. Examples of this include the recent win of a Windows 10 migration project for a large public sector customer. Following market trends and customer demand, we continue to develop further skills in Cloud and Datacenter transformation, Security, Mobility and Networking.

Key success factors for our Services business in 2017 will be the implementation of the new Managed Services wins, renewing and expanding some existing contracts and gaining market share in projects relating to Mobility, Datacenter, Network and Security.

SUPPLY CHAIN PERFORMANCE

Despite 2016 revenue declining by 11.0 per cent in constant currency² to €410.5 million [2015: €461.3 million], and increasing by 0.2 per cent in actual currency², we significantly improved the contribution from Supply Chain and continued to reduce the working capital utilised. We have achieved this improvement in three ways. First, our strategic choice to concentrate on large organisations in France is now fully in place. Second, we have completed the integration of the French business into the Group operating model, which gives the French business full access to an extended set of resources, tools and processes. Finally, we have continued to refine our governance process, resulting in a better understanding of both risks and opportunities for the bid teams.

Although we are pleased with the improved margins, much work remains to be done in 2017. We continue to face the challenge of moving our business mix towards Datacenter and Networking. We are encouraged to achieve this goal in 2017 by the recent win of a major purchasing framework contract for storage and servers with UniHA, a French public-sector customer, mainly active in the hospital sector.



COST BASE, STRATEGIC INITIATIVES AND OUTLOOK

While performance significantly improved, administrative expenses rose in recognition of the increased variable commission and bonus paid along with enhanced 'interressement' costs within our employee profit-sharing scheme, increasing administrative expenses by 4.5 per cent in constant currency², and by 17.5 per cent in actual currency².

To make our French business more sustainable, we have successfully concluded our strategic project to outsource the delivery of our French field maintenance business to channel partners. In addition, we have refined the structure of our sales organisation and appointed a new director to develop our infrastructure solutions offering in France.

After a few years of transforming our business model in France, we are confident that we now have all the elements in place for further expanding our local customer base and growing our profitability in 2017.

Lieven Bergmans
Managing Director, France

13 March 2017

BELGIUM

Revenue (€m) +2.7%

69.4



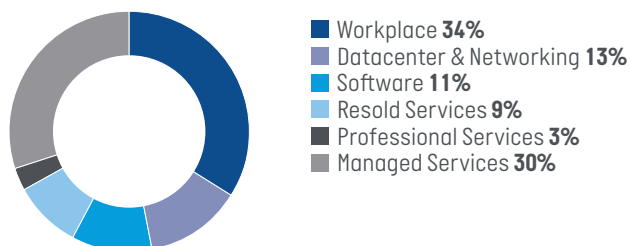
Adjusted¹ operating profit (€m) -57.1%

1.2

Services contract base (€m) +10.0%

24.3

Belgium revenue by business type (%)



FINANCIAL PERFORMANCE

The Group's Belgian business delivered a variable performance in 2016. It continued to generate solid top line growth, with total revenue increasing by 2.7 per cent in constant currency² to €69.4 million (2015: €67.6 million) and by 15.7 per cent in actual currency². However, adjusted¹ operating profit decreased by 57.1 per cent in constant currency² to €1.2 million (2015: €2.8 million), and by 50.0 per cent in actual currency². Statutory profit before tax was 60.0 per cent lower in constant currency² to €1.0 million (2015: €2.5 million), and 55.6 per cent lower in actual currency².

Profitability in 2016 was affected by a minor restructuring exercise and by strategically important local investments, to give the business the capacity it needs to fully integrate into the Group and take full advantage of Group capabilities. The benefits of this investment began to materialise towards the end of 2016, with a new five-year end user Managed Services contract. There are also important scale advantages which we can now deliver in our Belgian target market.

SERVICES PERFORMANCE

In 2016, total Services revenue increased by 9.0 per cent in constant currency² to €23.1 million (2015: €21.2 million), and by 22.7 per cent in actual currency². This increase was mainly driven by service extensions with existing customers, as well as by taking on a new Managed Services customer at the end of the year.

During the year, there was a significant focus on delivering the different geographical contract waves for the UCB contract, which is now fully operational with services spanning Europe, Middle East, Asia Pacific and the USA. Additionally, we won a new Managed Services contract for Toyota Motor Europe, providing end user services to 4,500 users and device lifecycle services for 15,000 devices across Europe.

Our Supply Chain and Professional Services capabilities, particularly in consulting, enabled us to win a number of infrastructure projects in 2016. These included supporting TI Automotive with refurbishing its global datacenters.

SUPPLY CHAIN PERFORMANCE

Supply Chain revenue remained flat in constant currency² and amounted to €46.3 million (2015: €46.4 million), which was an increase of 12.5 per cent in actual currency². Whilst competition remains strong in the local market, we continue to benefit from the loyalty of our customers and maintained our position in difficult economic conditions in Belgium, with a general slowdown in IT spend in the first half of the year.

Jurgen Strijkers
Managing Director, Belgium

13 March 2017



MAXIMISING SHAREHOLDER VALUE



Tony Conophy
Group Finance Director

The Group saw a recovering performance in France and an improving Germany provide resilience to the Group result, which was adversely affected by a disappointing UK performance, more so in the first half of the year as we saw revenue growth in the second half of the year. The comparison with 2015 is difficult for both statutory and adjusted¹ profit before tax, due to significant one-off items as disclosed in the prior year, but performance of the business excluding these one-off items showed modest improvement in a year of significant underlying change. The Supply Chain business has had to quickly change focus from Workplace sales to the more complex Networking and Datacenter infrastructure, whilst the German Services business saw a busy period of contract take-on.

A reconciliation between key adjusted¹ and statutory measures is provided on page 46 of this Group Finance Director's Review. Further details are provided in note 4 to the Financial Statements, Segment Information.

REVENUE

Adjusted¹ revenue for the Group grew by 6.3 per cent to £3,245.4 million (2015: £3,054.2 million). On a constant currency² basis, turnover decreased by 0.5 per cent, reflecting the weakness of the pound sterling against all currencies, but primarily against the euro. Statutory revenue for the Group, including the results of RDC for January 2015, grew 6.1 per cent from £3,057.6 million to £3,245.4 million.

OPERATING PROFIT

Adjusted¹ operating profit for the Group decreased 1.0 per cent to £86.2 million (2015: £87.1 million). On a constant currency² basis, the decrease was 4.9 per cent. The UK Segment saw a disappointing decrease of 21.1 per cent in adjusted¹ operating profit. The German Segment remained a key growth factor for the Group this year, with an increase in adjusted¹ operating profit of 15.4 per cent in constant currency² and 29.6 per cent in actual currency². The French Segment returned to profitability, with an adjusted¹ operating profit in constant currency² of €3.5 million (2015: €2.2 million loss). The Group's statutory operating profit of £87.5 million was 2.7 per cent higher than the previous year (2015: £85.2 million).

PROFIT BEFORE TAX

Adjusted¹ profit before tax decreased by 0.6 per cent from £86.9 million to £86.4 million, or 4.3 per cent in constant currency². It should be noted that the comparative performance in 2015 benefited from a one-off gain of approximately £3 million, which, as we explained in our 2015 Interim Report, was not expected to repeat in future years. Statutory profit before tax fell 31.3 per cent to £87.1 million (2015: £126.8 million), primarily due to the exceptional gain on disposal of RDC of £42.2 million that occurred in 2015.

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The Group saw a recovering performance in France and an improving Germany provide resilience to the Group result, which was adversely affected by a disappointing UK performance, more so in the first half of the year as we saw revenue growth in the second half of the year.

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RECONCILIATION FROM STATUTORY TO ADJUSTED¹ MEASURES FOR THE YEAR ENDED 2016

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

RECONCILIATION FROM STATUTORY TO ADJUSTED¹ MEASURES FOR THE YEAR ENDED 2015

	Statutory results £'000	Adjustments				Adjusted results £'000
		RDC £'000	CSF interest £'000	Utilisation of deferred tax £'000	Exceptionals and others £'000	
Revenue	3,057,615	(3,448)	–	–	–	3,054,167
Cost of sales	(2,654,468)	2,773	(340)	–	–	(2,652,035)
Gross profit	403,147	(675)	(340)	–	–	402,132
Administrative expenses	(315,380)	355	–	–	–	(315,025)
Operating profit:						
Before amortisation of acquired intangibles and exceptional items	87,767	(320)	(340)	–	–	87,107
Amortisation of acquired intangibles	(1,553)	–	–	–	1,553	–
Exceptional items	(1,029)	–	–	–	1,029	–
Operating profit	85,185	(320)	(340)	–	2,582	87,107
Exceptional gain on disposal of a subsidiary	42,155	–	–	–	(42,155)	–
Finance revenue	1,598	–	–	–	–	1,598
Finance costs	(2,171)	–	340	–	–	(1,831)
Profit before tax	126,767	(320)	–	–	(39,573)	86,874
Income tax expense:						
Before exceptional items	(23,605)	72	–	4,045	(314)	(19,802)
Exceptional items	(52)	–	–	–	52	–
Profit for the year	103,110	(248)	–	4,045	(39,835)	67,072

PROFIT FOR THE YEAR

The adjusted¹ profit for the year decreased 1.9 per cent to £65.8 million in actual currency² (2015: £67.1 million), and by 5.6 per cent in constant currency². The statutory profit for the year decreased by £39.3 million to £63.8 million (2015: £103.1 million).

UNITED KINGDOM

The UK Segment adjusted¹ revenues decreased by 1.1 per cent in 2016, falling to £1,391.7 million (2015: £1,407.4 million).

Adjusted¹ Supply Chain revenues increased 2.8 per cent, with strong growth through the fourth quarter after recovering from a poor start to the year. The Workplace PC market remains depressed but the business has continued to transition its focus through to our Datacenter and Networking business, which finished the year strongly. Our ability to remain agile in the marketplace allows us to respond to our customers' changing priorities.

Adjusted¹ Services revenues decreased 7.6 per cent during 2016. Within this, Managed Services revenue decreased 5.5 per cent, due to the lack of material wins towards the end of 2015 negatively impacting the Contract Base and due to the effect of continued pricing pressure on contract renewals.

Professional Services adjusted¹ revenue decreased 13.7 per cent during 2016. The previous year saw exceptional utilisation levels, with the UK central service engines at maximum capacity due to the volume of large Managed Services contract take-on driving growth. As the number and scope of take-on activities reduced during 2016, the Professional Services business was underutilised and with excess short and medium-term capacity. Resourcing levels have been readjusted through the year through natural attrition and contractor cessation, to enter 2017 more efficiently resourced.

Margin rate in the Supply Chain business came under sustained pressure throughout 2016 and was a leading indicator in the UK's overall performance disappointing against Management expectations. Whilst volumes held up in the fourth quarter and there were some particularly pleasing margin-rich headline deals, the overall progress in this area was disappointing.

Services reduced by 7.6 per cent due to the lack of significant Managed Services wins in 2015 which impacted both Managed Services and Professional Services revenues. The UK continues to operate within a margin range that leads the Group in efficiency of delivery on Managed Services customers and is also near the ceiling of what can be reasonably achieved, whilst delivering a premium customer user experience at a price that creates value. Total adjusted¹ gross profit in the UK has fallen from 15.4 per cent to 14.6 per cent of adjusted¹ revenue, due mainly to declining Supply Chain margins, and the impact of overcapacity due to a lower contribution from the central resource engines.

Adjusted¹ administrative expenses reduced by 0.8 per cent. Increasing salary costs were offset by a reduction in the performance bonus attributable to Management and employees, due to the nature of the local performance. The UK Segment continues to absorb the majority of the Group's investment costs through its Consolidated Income Statement. Where permissible, certain Group Management and Governance costs are recharged to other Group Segments. However, the UK Segment continues to incur the majority of Senior Management and Group Governance costs due to the Group being UK domiciled.

Overall, this resulted in a 21.1 per cent decrease in adjusted¹ operating profit from £59.3 million to £46.8 million. However, it should be noted that the UK's 2015 profit also benefited by £3 million from the unusual timing of contract lifecycles, which was first disclosed in the 2015 Interim Report.

GERMANY

German revenue built on the strong performance of 2015, increasing by 16.1 per cent in actual currency² during 2016 to £1,392.2 million (2015: £1,199.6 million). In constant currency², revenue increased 3.1 per cent.

Supply Chain revenue growth in 2016 was 1.2 per cent on a constant currency² basis and 13.9 per cent in actual currency², continuing the momentum seen in 2015. The performance through the middle two quarters of the year gave hope of an even stronger performance, but growth plateaued towards the end of the fourth quarter. Whilst the growth was steady overall, the customer-driven switch away from Workplace solutions towards Security, Networking and Cloud infrastructure created some portfolio volatility. The business managed these changes successfully, to achieve the margin increases expected with the move towards more complex infrastructure sales and achieve an overall contribution increase.

Services revenues were stronger, with 7.2 per cent growth in 2016 on a constant currency² basis and an increase of 20.7 per cent in actual currency², with both Professional Services and Managed Services delivering strong performances.

The business entered the year focused on renewing a number of critical Managed Services contracts, to refresh the Contract Base. This was largely achieved, with the business simultaneously winning a number of new significant contracts to further extend the Contract Base. The contract wins in 2015 resulted in 14 separate contracts being taken on during 2016, and whilst these were largely successful and all contributed to revenue growth, several contracts experienced cost overruns, which have been incurred in the 2016 results. Furthermore, several contracts that have completed take-on and are in the 'run' operating phase have disappointing levels of margin, albeit in environments with high customer satisfaction. Two of these contracts have had revenue recognition adjustments made in 2016, within operating costs, for future operating losses. Continuing negotiations with these customers present future improvement opportunities. The pipeline remains strong into 2017.

Our Professional Services business was strong throughout the year and continued the momentum seen in the second half of 2015. The number of Managed Services contracts taken on provided volumes for the central engines that were overlaid on the growth in our consulting and project business, driven primarily by building cloud infrastructure environments for our customers.

Given the challenges in managing the change in focus of the Supply Chain business away from Workplace and towards more complex infrastructure, the business was pleased to achieve a substantial increase in margins through the year. Given the strong growth within both Professional Services and Managed Services revenue, and the less than desirable performance of a number of Managed Services contracts, the slight reduction in Services margin was an acceptable performance. There is some disappointment in knowing what could have been achieved without the difficulties certain contracts experienced, which indicates the continuing room for improvement in German Services margin performance. Overall adjusted¹ gross profit margin within the German business increased from 12.3 per cent in 2015 to 12.6 per cent in 2016, with increasing Supply Chain margins being slightly diluted by the Services margin performance.

Administrative expenses increased by 3.4 per cent in constant currency² and by 16.5 per cent in actual currency², as the business experienced increasing challenges in skilled resource recruitment and higher bonuses paid as a reflection of the overall performance. The German Segment adjusted¹ operating profit increased by 29.6 per cent from £27.4 million to £35.5 million in actual currency², which was an increase of 15.4 per cent in constant currency².

FRANCE

Revenue in the French Segment increased by 1.7 per cent to £404.7 million (2015: £398.1 million) during 2016 but declined by 9.7 per cent in constant currency², due primarily to the continued deliberate contraction of the Supply Chain business. Supply Chain revenue decreased by 11.0 per cent on a constant currency² basis and increased by 0.2 per cent in actual currency². Management's strategy over the last three years has been to reposition the Supply Chain business away from low-margin, high working capital intensive activities, and to only serve the Group's core target market of large customers. This strategy is nearly complete and, other factors being constant, we feel we are nearing the bottom of the revenue performance readjustment cycle. After reducing the core portfolio of customers, the business is now concentrating on growing this refocused target market to reduce dependencies on several large customers that are now responsible for significant volumes and margins. Services revenues reduced by 2.6 per cent during 2016 in constant currency² and increased by 9.5 per cent in actual currency². Whilst Professional Services volumes continued to decline and further exacerbated the levels of utilisation and over-resourcing in this area, the Managed Services business saw encouraging signs of growth. Several important new contract wins and a more positive pipeline provide some encouragement, albeit tempered by several Managed Services contracts that are up for renewal in 2017 that are critical to the Group overall.

Given the headwinds created by the continued underperformance of the Professional Services business, it was pleasing to see an overall increase in service margins for France. This is being driven by the continued refinement of local execution of key Managed Services contracts. Whilst service margins are still significantly lower than those across the rest of the Group, further improvement is available as the business continues to reduce the cost base associated with the over-capacity in its Professional Services business, as evidenced by the restructure of the sub-scale Field Maintenance business and the alignment of the Professional Services business to the wider Group Operating Model. Gross margins in the Supply Chain business exceeded those of both the UK and Germany, demonstrating the effectiveness of Management's French recovery strategy. Overall gross margin increased from 8.1 per cent to 10.5 per cent.

Administrative expenses increased by 4.5 per cent on a constant currency² basis and by 17.5 per cent in actual currency². This increase was driven by non-exceptional restructuring costs alongside increased variable bonus, commission and 'interressement' costs, largely contributing to, or driven by, the increased performance of the business. As indicated in our 2016 Interim Report, an additional cost of £1.1 million in strategic restructuring has been recorded as an exceptional item in 2016.

Overall, the French adjusted¹ operating profit increased from a loss in actual currency² of £1.6 million in 2015 to a profit of £2.9 million in 2016, materially improving the overall performance of the Group.

BELGIUM

Revenue increased by 15.7 per cent to £56.8 million (2015: £49.1 million) in actual currency² and increased by 2.7 per cent in constant currency².

Supply Chain revenue was flat on a constant currency² basis and increased by 12.5 per cent in actual currency², in an environment of increasing competition and slowing IT spend, due to local economic difficulties.

Services revenue increased by 9.0 per cent on a constant currency² basis during 2016, which was an increase of 22.7 per cent in actual currency². In 2015, the business adopted a strategy to renew existing contracts to underpin the Contract Base, albeit at reduced overall ACV reflecting shared contract efficiencies made for these long-term customers. This strategy has been validated, with a number of in-life contract scope extensions increasing the overall volumes seen. The take-on of a significant new customer during 2016, and the win towards the end of the year of another major customer, should sustain growth into 2017.

Overall, Belgium increased its gross profit margin from 12.7 per cent in 2015 to 13.2 per cent in 2016.

Administrative expenses increased 35.6 per cent in constant currency² and by 51.2 per cent in actual currency², primarily due to continuing costs as the business moved fully onto the Group ERP system and the Group Operating Model that it underpins. These costs include strategic local investments, to provide the scale to fully benefit from leveraging Group expertise.

Overall there has been a 50.0 per cent decrease in adjusted¹ operating profit, from £2.0 million in 2015 to £1.0 million in 2016, which was a 57.1 per cent decrease in constant currency².

ADJUSTED¹ REVENUE

	Half 1 £m	Half 2 £m	Total £m
2014	1,435.4	1,627.9	3,063.3
2015	1,438.0	1,616.2	3,054.2
2016	1,478.2	1,767.2	3,245.4
2016/15	2.8%	9.3%	6.3%

ADJUSTED¹ PROFIT BEFORE TAX

	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
2014	25.6	1.8%	55.5	3.4%	81.1	2.6%
2015	29.1	2.0%	57.8	3.6%	86.9	2.8%
2016	25.3	1.7%	61.1	3.5%	86.4	2.7%
2016/15	[13.1%]		5.7%		[0.6%]	

ADJUSTED¹ REVENUE BY COUNTRY

	2016			2015		
	Half 1 £m	Half 2 £m	Total £m	Half 1 £m	Half 2 £m	Total £m
UK	652.7	739.0	1,391.7	688.7	718.7	1,407.4
Germany	607.8	784.4	1,392.2	535.4	664.2	1,199.6
France	193.2	211.5	404.7	189.8	208.3	398.1
Belgium	24.5	32.3	56.8	24.1	25.0	49.1
Total	1,478.2	1,767.2	3,245.4	1,438.0	1,616.2	3,054.2

ADJUSTED¹ OPERATING PROFIT BY COUNTRY

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

	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	22.9	3.3%	36.4	5.1%	59.3	4.2%
Germany	8.5	1.6%	18.9	2.8%	27.4	2.3%
France	[3.0]	[1.6%]	1.4	0.7%	[1.6]	[0.4%]
Belgium	1.1	4.6%	0.9	3.6%	2.0	4.1%
Total	29.5	2.1%	57.6	3.6%	87.1	2.9%

CUSTOMER-SPECIFIC FINANCING

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

The Group does not expect a material increase in the level of CSF facilities, partly, as the Group applies a higher cost of finance to these transactions than customers' marginal cost of finance.

NET FINANCE INCOME

Net finance income amounted to £0.1 million on a statutory basis in the year (2015: expense of £0.6 million) and was impacted by a number of one-off items, including historical interest charges of £0.3 million relating to routine tax audits completed in Computacenter Germany.

The comparative 2015 finance charges were impacted by the final interest charges relating to the unwind of the discount on the deferred consideration for the purchase of Damax AG of £0.7 million, which was finalised and agreed in June 2015.

On an adjusted¹ basis, prior to interest on CSF, net finance income was £0.3 million in 2016 (2015: expense of £0.2 million).

TAXATION

The adjusted¹ tax charge on ordinary activities was £20.6 million (2015: £19.8 million), on an adjusted¹ profit before tax of £86.4 million (2015: £86.9 million). The Effective Tax Rate (ETR) was 23.8 per cent (2015: 22.8 per cent). The 2016 ETR is higher than the previous year, primarily due to increasing cash tax in Germany as the historical tax losses readily available for use expire. The ETR is lower than Management's expectations, due to a change in the geographic split of adjusted¹ profit before tax, with France's return to profit being the primary driver.

The statutory tax charge was £23.3 million (2015: £23.7 million) on statutory profit before tax of £87.1 million (2015: £126.8 million). This represents a statutory tax rate of 26.8 per cent (2015: 18.7 per cent). The exceptional gain on the sale of RDC of £42.2 million recorded in the statutory profit before tax for the year ended 31 December 2015 was not subject to taxation and is the major reason for the movement in the statutory tax rate.

The Group's adjusted¹ tax rate continues to benefit from losses utilised on earnings in Germany and also from the reducing corporation tax rate in the UK. As the German tax losses continue to be utilised, the deferred tax asset, previously recognised as an exceptional tax item, is no longer replenishing. The utilisation of the asset impacts the statutory tax rate but is considered to be outside of our adjusted¹ tax measure. In 2016, this impact increased the statutory tax rate by 3.0 per cent.

From 2017 onwards the Group expects an increasing adjusted¹ tax rate, as the impact of the German loss utilisation manifests itself through an increasing cash tax payment. In 2017, the German statutory ETR is expected to increase to circa 28 per cent from circa 26 per cent in 2016, then increase to and settle at circa 32 per cent in 2018, with a direct effect on the Group adjusted¹ ETR. At 2016 levels of profitability, the increase in German cash tax would raise the Group adjusted¹ ETR from 23.8 per cent in 2016 to circa 28 per cent by 2019, without regard to other factors that could influence the Group's adjusted¹ ETR.

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

The table below reconciles the statutory tax charge to the adjusted¹ tax charge for the year ended 31 December 2016.

	2016 £'000	2015 £'000
Statutory tax charge	23,300	23,658
Adjustments to exclude:		
Utilisation of German deferred tax assets	(2,580)	(4,045)
Tax on amortisation of acquired intangibles	72	314
Tax on exceptional items	(192)	(52)
RDC	-	(71)
Adjusted¹ tax charge	20,600	19,804
Statutory ETR	26.8%	18.7%
Adjusted¹ ETR	23.8%	22.8%

EXCEPTIONAL ITEMS

The gain from net exceptional items in the year was £1.4 million (2015: £41.1 million).

The most significant item within exceptional items during 2016 was the £3.0 million release of historical fair value adjustments made on the 2009 acquisition of becom Informationssysteme GmbH (becom). This followed the final payment of the contingent consideration to the vendor during 2016. For further information, refer to note 6 of the Financial Statements. Due to the materiality and nature of the item, Management decided to classify this one-off gain as exceptional.

As outlined in our 2016 Interim Report, a Line of Business restructure was agreed with Computacenter's business in France. This initiative to reduce the under-utilised resources within our Professional Services arm completed in the second half of 2016, for a cost of £1.0 million. This restructure has seen Computacenter France exit the direct provision of Group Field Maintenance Services. This Line of Business had materially decreased over time, leading to significant resourcing overcapacity. Any residual customer requirement will be sub-contracted to an existing third party provider. Additionally, as also detailed in the 2016 Interim Report, further provisioning to the existing 2014 Social Plan in France of £0.1 million was also required during the period.

During the third quarter, a Group subsidiary domiciled in Luxembourg, Computacenter PSF SA, was disposed of for a net loss of £0.5 million. As the principal item in the year to 31 December 2015 was the gain on the disposal of a Group subsidiary, R.D. Trading Limited (RDC), of £42.2 million, the current year loss on disposal of a subsidiary has also been classified as exceptional.

EARNINGS PER SHARE

Adjusted¹ diluted earnings per share increased slightly from 53.4 pence in 2015 to 54.0 pence in 2016, due to a lower weighted average number of shares. The statutory diluted earnings per share decreased from 82.1 pence in 2015 to 52.3 pence in 2016, primarily driven by the impact of the gain on disposal of RDC in 2015.

	2016	2015
Basic weighted average number of shares (excluding own shares held) (no. '000)	120,540	122,948
Effect of dilution:		
Share options	1,344	2,655
Diluted weighted average number of shares	121,884	125,603
Statutory profit for the year attributable to equity holders of the parent (£'000)	63,773	103,110
Basic earnings per share (pence)	52.9	83.9
Diluted earnings per share (pence)	52.3	82.1
Adjusted¹ profit for the year attributable to equity holders of the parent (£'000) including RDC	65,829	67,320
Adjusted ¹ basic earnings per share (pence) including RDC	54.6	54.8
Adjusted ¹ diluted earnings per share (pence) including RDC	54.0	53.6
RDC	–	248
Adjusted¹ profit for the year attributable to equity holders of the parent (£'000)	65,829	67,072
Adjusted ¹ basic earnings per share (pence)	54.6	54.6
Adjusted ¹ diluted earnings per share (pence)	54.0	53.4

DIVIDENDS

The Board has consistently applied the Company's dividend policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times by adjusted¹ diluted earnings per share. In 2016, the cover was 2.4 times (2015: 2.5 times).

The Group remains highly cash generative and net funds³ continue to build on the Consolidated Balance Sheet. Computacenter's approach to capital management is to ensure that the Group has a robust capital base and to maintain a strong credit rating, whilst aiming to maximise shareholder value. If further funds are not required to be available for investment within the business, either for fixed assets or working capital support, and the distributable reserves are available in the Parent Company, we will aim to return the additional cash to investors through one-off returns of value. Dividends are paid from the standalone Balance Sheet of the Parent Company, and as at 31 December 2016, the distributable reserves were approximately £262.5 million (2015: £166.7 million).

The Board is pleased to propose a final dividend of 15.0 pence per share. The interim dividend paid on 14 October 2016 was 7.2 pence per share. Together with the final dividend, this brings the total ordinary dividend for 2016 to 22.2 pence per share, representing a 3.7 per cent increase on the 2015 total dividend per share of 21.4 pence.

Subject to the approval of shareholders at our Annual General Meeting on 4 May 2017, the proposed dividend will be paid on Friday 9 June 2017. The dividend record date is set as Friday 12 May 2017, and the shares will be marked ex-dividend on 11 May 2017.

CAPITAL MANAGEMENT

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

NET FUNDS

Net funds³ increased from £120.8 million at the end of 2015 to £144.5 million as at 31 December 2016.

The Group had no material borrowings.

The Group saw a reduction in its overall cash generation from operations in 2016, with net cash flow from operating activities of £68.2 million (2015: £94.3 million).

Whilst it is encouraging that the year end cash position was strong, it is clear that we have experienced increased cash volatility due to higher product sales, particularly in the fourth quarter, and have agreed longer credit terms with some new product-based customers. In addition we have seen in the second half of the year an adverse revenue mix changing towards customers with longer credit terms.

Capital expenditure in the year was £22.6 million (2015: £20.6 million), primarily on investments in IT equipment in our business and software tools, to enable us to deliver improved service to our customers, and on the refurbishment of our London office at 100 Blackfriars Road.

Whilst the cash position remains robust, the Group continued to benefit from the extension of an improvement in credit terms with a significant vendor. This was equivalent to £69.1 million as at 31 December 2016, an increase of £21.3 million from 31 December 2015 (£47.8 million). This improvement in credit terms has been in operation since 2009 and whilst the continuation of these terms is not guaranteed and can be withdrawn at any time, the terms are generally available to all material partners of that significant vendor. The amount of benefit at any one time fluctuates as a direct result of the volume of business with that vendor.

CSF decreased in the year from £5.9 million to £3.9 million. CSF remains low compared to historical levels, due to a decision to restrict this form of financing in light of the current credit environment and reduced customer demand.

At 31 December 2016 the Group had interest-bearing trade payables of £13.3 million (2015: nil) where we have taken advantage of supplier extended payment-term credit facilities within the UK. This was a short term position taken to provide additional operational payment flexibility and was closed out immediately after balance sheet date. The interest bearing extended-term payable balances remain classified within trade payables, and are therefore net funds³ enhancing, at 31 December 2016.

The Group's net funds³ position takes account of current asset investments of £30 million (2015: £15 million). Net funds³ excluding CSF increased from £126.7 million to £148.4 million by the end of the year.

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items that arise directly from its operations. The Group enters into hedging transactions, principally forward exchange contracts or currency swaps. The purpose of these transactions is to manage currency risks arising from the Group's operations and its sources of finance. As the Group continues to expand its global reach and benefit from lower cost operations in geographies such as South Africa, it has entered into forward exchange contracts to help manage cost increases due to currency movements. The Group's policy remains that it will not undertake speculative trading in financial instruments. The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the financial results of the Group. The policies for managing each of these risks are set out below. Further disclosures in line with the requirements of IFRS 7 are included in the Financial Statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings and finance leases and loans for certain customer contracts. The Group's bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements. The Group's positive net funds³ position was maintained throughout 2016, and at year end was £148.4 million excluding CSF, and £144.5 million including CSF. Due to strong cash generation over the past three years, the Group is currently in a position where it can finance its requirements from its cash balance, and the Group operates an informal cash pooling arrangement for the majority of Group entities. During 2015, the Group extended an existing specific committed facility of £40.0 million for a three-year term through to February 2018.

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

Foreign currency risk

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

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

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

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

In 2016, the Group recognised a gain of £5.3 million (2015: £1.2 million) through other comprehensive income in relation to the changes in fair value of related forward currency contracts, where the cash flow hedges relating to firm commitments were assessed to be highly effective.

The Group reports its results in pounds sterling. The weakening of sterling, particularly against the euro, positively impacted 2016 adjusted¹ operating profit by circa £3.5 million.

Credit risk

The Group principally manages credit risk through customer credit limits. The credit limit is set for each customer based on the creditworthiness of the customer, assessed by using credit rating agencies, and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter.

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

GOING CONCERN

As disclosed in the Directors' Report, the Directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the Going Concern basis in preparing the Consolidated Financial Statements.

Fair balanced and understandable

The UK Corporate Governance Code includes a requirement for the Board to consider whether the Annual Report and Accounts are 'fair, balanced and understandable' and 'provide the information necessary for shareholders to assess the Group's performance, business model and strategy.' Management undertakes a formal process through which it can provide comfort to the Board in making this statement.

Tony Conophy

Group Finance Director

13 March 2017

A STRONG TEAM

The appointment of Ros Rivaz will bring an objectivity and fresh perspective on both new and existing business that the Board considers at its meetings, and will complement the continuity of service and knowledge of the Company brought by the remaining members of the Board.



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



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



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.

Committee Membership Key

A – Audit Committee

N – Nomination Committee

R – Remuneration Committee



Peter Ogden
Non-Executive Director
Age: 69
Board Member Attendance: 8/8

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



Philip Yea
Senior Independent Director
and Chairman of the Remuneration
Committee
Age: 62
Committee Membership: A, N, R
Board Member Attendance: 8/8

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



Philip Hulme
Non-Executive Director
Age: 68
Board Member Attendance: 7/8

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 was previously a Vice President and Director of the Boston Consulting Group.



Regine Stachelhaus
Non-Executive Director
Age: 61
Committee Membership: A, N, R
Board Member Attendance: 8/8

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



Minnow Powell
Non-Executive Director and
Chairman of the Audit Committee
Age: 62
Committee Membership: A, N, R
Board Member Attendance: 8/8

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



Ros Rivaz
Non-Executive Director
Age: 61
Committee Membership: A, N, R
Board Member Attendance: 1/1

Ros is a Non-Executive Director of Boparan Holdings Limited where she is a member of both the Audit and Remuneration Committees and a Non-Executive Director on the MOD Defence Equipment and Support Board where she is also a member of the Remuneration Committee. Ros is the Deputy Chair of the Council of the University of Southampton, where she holds an Honorary Doctorate, as well as a Non-Executive Director of the Government-sponsored Your Life initiative encouraging 14-16 year olds to pursue qualifications in maths and physics. Ros served as the Chief Operating Officer for Smith & Nephew plc and has held senior management positions in global companies in the areas of supply chain management, logistics, manufacturing, IT, procurement and systems.

Dear Shareholder,

I am pleased to present Computacenter's Corporate Governance report for the year ended 31 December 2016.

The Board of Computacenter supports and is committed to the principles of Corporate Governance as set out in the 2014 UK Corporate Governance Code (the 'Code'), which has applied to the Group during the reporting period. It believes that effective governance practices are fundamental in underpinning the Group's ability to deliver long-term shareholder value. The Code is published by the Financial Reporting Council (FRC) and can be found at www.frc.org.uk.

This Corporate Governance report outlines and explains the Group's governance policies and practices, and sets out how the Code has been applied during the year ended 31 December 2016. It aims to assist our shareholders in understanding the Group's approach to Corporate Governance. As a company listed on the main market of the London Stock Exchange, Computacenter is required by relevant regulation to review its practices against the provisions set out in the Code. A statement of its compliance with the Code can be found on page 58 of this report. I would ask shareholders to note that, following the appointment of Ros Rivaz to the Board as an additional Independent Non-Executive Director on 11 November 2016, membership of the Computacenter plc Board was, at 31 December 2016, compliant with provision B1.2 of the Code, which requires at least half of the Board, excluding the Chairman, to be Independent Non-Executive Directors.

The FRC published a revised UK Corporate Governance Code in 2016 (the 'New Code'), which will apply to Computacenter plc from 1 January 2017 onwards. The Board anticipates that the Company will be in full compliance with the New Code from 1 January 2017 onwards.

Greg Lock
Non-Executive Chairman



BOARD COMPOSITION

In order that it may provide the best possible form of leadership for the Group, it is critical that the Board has the right composition to be effective in discharging its duties to the shareholders of the Company. This includes having the right balance of skills and experience, ensuring that all of the Directors have a good working knowledge of the Group's business, and also that the Board retains its independence and objectivity. I am of the view that all three of these factors will be enhanced by the appointment of Ros Rivaz to the Computacenter plc Board. We were very pleased to welcome her onto the Board with effect from 11 November 2016. Her significant operational expertise in large enterprises complements the skills of our other Board members. Up until June 2016, Ros was a Non-Executive Director and Chairman of the Remuneration Committee of Rexam plc. She also served as the Chief Operating Officer for Smith & Nephew plc until 2014 and has held senior management positions in global companies in the areas of supply chain management, logistics, manufacturing, IT, procurement and systems, including at Diageo, ICI, ExxonMobil, Tate & Lyle and Premier Foods. On her appointment, each of our four independent Non-Executive Directors have been in their role for less than four years. Ros will bring an objectivity and fresh perspective on both new, and existing, business that the Board considers at its meetings, and will complement the continuity of service and knowledge of the Company brought by the remaining members of the Board.

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

STRATEGY

The Board is collectively responsible for providing leadership to, and promoting the success of, the Group, within a framework of appropriate controls that enable risk to be assessed and appropriately managed. It is also responsible for implementing the business model set out and explained on pages 7 to 9 of this Annual Report and Accounts. It is essential for the Board to ensure that the Group has the right strategy in place to drive shareholder value, and to provide appropriate levels of support and challenge to the Executive Management Team. The development of the Group's strategy continues to be discussed at every Board meeting, with an additional, annual, day-long session dedicated to receiving strategy-related presentations from Senior Management.



The Board of Computacenter believes that effective governance practices are crucial in underpinning the Company's ability to deliver long-term shareholder value.



BOARD EFFECTIVENESS

In accordance with the requirements of the Code, an external evaluation of the Board and its Committees has now taken place for the reporting period. Further details of the process carried out and the findings of the evaluation can be found on page 59 to 60 of this report. After careful consideration of its findings, I am satisfied that the Board continues to function effectively and that its current constitution and range of skills are appropriate to ensure that the long-term interests of the Group and the Company’s shareholders are protected. The Board continues to focus at length on the issue of succession planning, which remains particularly important given the length of tenure of the current Executive Management team. Prior to the date of this report, the Board reviewed the succession planning arrangements in place for both the Executive and Non-Executive Directors. It also received a presentation from the Group HR Director on how internal talent within the Group immediately below Board level is managed and developed appropriately in the long-term interests of the Group.

I remain satisfied that the members of the Board, in particular the Non-Executive Directors, have sufficient time to undertake their roles at Board and Committee level as currently required by the Company.

I will continue to assess these judgements to ensure that they remain the case on an ongoing basis.

GOVERNANCE FRAMEWORK

As it is entitled to do under the Company’s Articles of Association, the Board delegates a number of its responsibilities to Committees so that it may carry out its functions effectively. A diagram of the Board governance structure is set out in this report on this page.

As part of its ongoing review of the Group’s governance procedures and framework, the terms of reference for each of these Committees was reviewed by the Board, and a number of the Group’s policies were reviewed and also amended during the year. The detail and format of information provided to the Board by Management continues to develop.

BOARD VISITS

To assist in developing and updating the knowledge of the Directors of the Group’s business operations, visits to our Group offices overseas are organised for the Board on a regular basis. During the year, the Board held a meeting at the Group’s office in Paris, France, where it received presentations from the French Managing Director and senior members of his team. This focused on the ongoing delivery of a recovery plan by the French business, and its shift towards becoming more Services-led.

DIVERSITY

The Board recognises the benefits that diverse skills, experience and points of view can bring to an organisation, and how it may assist the decision-making ability of the Board, thereby increasing its effectiveness. Whilst the Board continues to recognise and monitor the continuing debate around possible future legislation in this area, appointments to the Board will continue to remain primarily based on merit. As at 31 December 2016, the Computacenter Board had two female Non-Executive Directors, Regine Stachelhaus and Ros Rivaz, representing 22.2 per cent of the total Board membership. This represents an increase from 12.5 per cent as at 31 December 2015.

SHAREHOLDER ENGAGEMENT

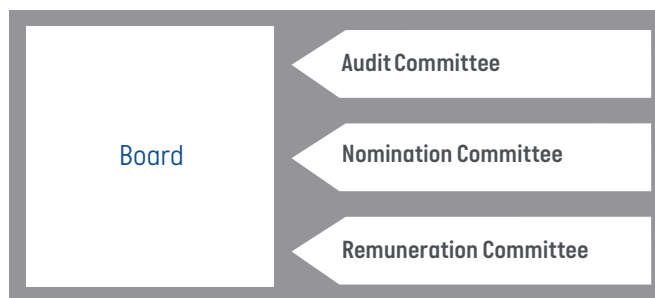
This Corporate Governance report is intended to give shareholders an understanding of the Group’s corporate governance arrangements and how they operated during the 2016 financial year. The Board remains committed to communicating with our shareholders and, where appropriate, submitting its views and considerations for consultation and feedback. Further detail regarding this engagement with our shareholders can be found on page 62 of this report.

In accordance with the Code, all of the Directors will stand for election or re-election at the 2017 Annual General Meeting (AGM).

Greg Lock
Non-Executive Chairman

13 March 2017

Board Committees



UK CORPORATE GOVERNANCE CODE – COMPLIANCE STATEMENT

Computacenter is required, under the Listing Rules and Disclosure and Transparency Rules of the UK Listing Authority, to report to its shareholders on its compliance with the UK Corporate Governance Code, as revised in September 2014. As such, the Board confirms that, except where indicated below, the Company has complied with each of the provisions of the Code throughout the year.

Provision B.1.2: Except for smaller companies, at least half the board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent.

The Board acknowledges that the Company was not in compliance with paragraph B.1.2 of the Code for the period from 1 January 2016 to 11 November 2016 (the 'Non-Compliant Period'), which was the date of appointment of Ros Rivaz as an independent Non-Executive Director of the Board. During the Non-Compliant Period, the founders of the Company, Philip Hulme and Peter Ogden, were Non-Executive Directors, but were not considered independent under the Code, due to their long tenure, substantial shareholding in the Company and their previously held executive positions with the Company. As a result of feedback from the Board, it remained clear during this time that the contribution being made by these two Directors to the Board, continued to be viewed as vital, particularly in the area of supporting and challenging strategy related proposals put forward by Management. As the term of these two Non-Executive Directors is over six years, their continued appointment was in any event subject to particularly rigorous review, both by the Nomination Committee and the Board as a whole, taking into account the need to progressively refresh the Board from time to time. The Company is pleased to report that, from 11 November 2016 to 31 December 2016, it was compliant with each of the provisions of the Code, and it anticipates being so for the 2017 reporting period.

LEADERSHIP

The role of the Board

The Board is responsible for the management and performance of, and providing effective leadership to, the Group. It plays a key role in discussing, reviewing and approving the strategic objectives of the Group, and through the review of business plans and budgets submitted by the Executive Directors and Senior Management, is additionally responsible for ensuring that adequate resources are in place to meet and deliver these aims. The Board reviews the performance of the Executive Directors and Senior Management against the targets set for the delivery of these agreed objectives, including a monthly review of the financial performance of each of the Group's Country Units. Additionally, the Board has the powers and duties conferred upon it by the relevant laws of England and Wales and our Articles of Association. There is a documented schedule of Matters Reserved for the Board which includes the consideration and approval of, amongst other things, acquisitions, major capital expenditure, Group strategy and budgets, the Group's Financial Statements and its Dividend Policy. This schedule was reviewed and updated during the course of 2016, and is reviewed on an annual basis as a standing Board agenda item. This schedule can be found on our website at www.computacenter.com.

The Board held eight scheduled meetings during the year to deal with the standing items on its agenda, including reviewing and discussing any information provided to it by Senior Management. The Board collectively views this as sufficient to discharge its duties effectively. Day-to-day management and operational activities are delegated to a duly authorised Group Executive Committee including, amongst others, the Executive Directors, Group Chief Operating Officer and Group Chief Commercial Officer. Other Board level matters are delegated to each of the Audit, Nomination and Remuneration Committees, details of which can be found at pages 68 to 90. The Terms of Reference for each Committee can be obtained from the Company's website, www.computacenter.com, or from the Company

Secretary, upon request. The composition of each Committee as at 31 December 2016 appears on pages 68 to 90 following this report, as do reports from the Chairman of each Committee setting out the main responsibilities of their respective Committee and its main activities during the year. The Company arranges insurance cover in respect of legal action against the Directors and, to the extent allowed by legislation, the Company has issued an indemnity to each Director against claims brought by third parties.

Division of responsibilities

The roles of the Chairman and Chief Executive Officer (CEO) are separate and their responsibilities are clearly set out in writing, reviewed annually and agreed by the Board. They are available for inspection on the Company's website at www.computacenter.com. In summary, the Chairman's role is to lead and manage the Board, and to play a role in facilitating the discussion of the Group's strategy by the Board. The Chairman actively encourages contribution from all Directors and is responsible for ensuring that constructive interaction is ongoing between the individual members of the Board. The Chairman is also responsible for setting the Board's agenda and ensuring that sufficient time is available for discussion of all agenda items, and in particular, strategic issues.

The CEO, in turn, is responsible for the day-to-day management of the Group's operational activities and for the proper execution of strategy, as set by the Board. There is no dominant individual or group of individuals on the Board influencing its collective decision-making ability and the Board is comfortable that each of the Directors makes a valuable contribution to the Board.

Senior Independent Director

Philip Yea is the Senior Independent Director. In this role, Philip acts as a sounding board for the Chairman, and serves as an intermediary between the Chairman and other Directors, where necessary. He is available to take representations from both institutional and individual shareholders who do not want to raise their issue with the Chairman or where they feel that contact with him is not appropriate in the circumstances. In his role as the Senior Independent Director, Philip also leads the appraisal of the Chairman's performance annually in consultation with the other Non-Executive Directors, without the Chairman being present. The feedback from this appraisal is discussed at a subsequent meeting of the Board.

The Chairman and Non-Executive Directors met twice throughout the year without the Executive Directors being present.

Key activities of the Board during the year

The Board held eight scheduled meetings during the year, and its schedule ensures that all necessary matters are considered by it during its annual cycle of meetings.

In 2016, the Board considered the following:

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

EFFECTIVENESS

The Composition of the Board

The membership of the Board as at 31 December 2016 is set out on pages 54 and 55, and on that date included seven Non-Executive Directors and two Executive Directors. The attendance of the Directors

at Board and Committee meetings is additionally set out on pages 54, 55, 68, 73 and 82 of this Annual Report.

The Board has considered the independence of each Director, taking into account the guidance provided by the Code. The Chairman, Greg Lock, was considered by the Board to meet the independence criteria set out in the Code on appointment, and each of Minnow Powell, Ros Rivaz, Regine Stachelhaus and Philip Yea are considered by the Board to be independent in their character and judgement.

Appointments to, and development of, the Board

The Company's Nomination Committee leads the process for Board appointments. Further detail on the role, membership and work of the Committee during the year is set out on page 73.

The Non-Executive Directors have all been appointed for three-year terms with continued appointment, as a Non-Executive Director of the Company, subject to election by the Company's shareholders at the AGM of the Company, and to re-election at any subsequent AGM at which either the Articles require, or the Board resolves, that they stand for re-election.

The Board has resolved to apply Provision B.7.1 of the Financial Reporting Council's UK Corporate Governance Code April 2016, whereby all Directors will be subject to annual election at the 2017 AGM, and expects to do so in subsequent years. If the shareholders do not elect or re-elect a Director, or a Director is retired from office under the Articles, the appointment shall terminate automatically, with immediate effect and without compensation.

Upon joining the Board, all Directors receive a comprehensive induction programme organised by the Company Secretary, tailored to their specific background and requirements. The induction process for Ros Rivaz is set out in the Chairman's introduction on page 56. New Directors receive an induction pack which contains information on the Group's business, its structure and operations, Board procedures, corporate governance related matters and details regarding Directors' duties and responsibilities. All new Directors are introduced to the Group's Executive Management team. New Directors are required to avail themselves of opportunities to meet major shareholders. The Chairman regularly liaises with each Director to discuss and agree their training and development needs. The Board is confident that all of its members have the knowledge, ability and experience to perform the functions required of a Director of a listed company.

Commitment

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

Externally, there has been no increase in the other significant commitments of the Chairman of the Company during the year which would impact the time he has to fulfil the role. In light of the external Board Evaluation completed for 2016, the Board is satisfied that each of the Directors is able to allocate sufficient time to the Company to discharge his/her responsibilities effectively. The terms and conditions of appointment of each of the Non-Executive Directors are available for inspection both at the Company's registered office and, on an annual basis, at the Company's AGM.

In appropriate circumstances, the Board may authorise the Executive Directors to take Non-Executive positions in other companies and

organisations, provided the time commitment does not conflict with the Director's duties to the Company, since such appointments should broaden their experience. The Board would not agree to a full time Executive Director taking on more than one Non-Executive Directorship in a FTSE 100 company nor the Chairmanship of such a company and the appointment to such positions would be subject to the approval of the Board. For the avoidance of doubt, no such positions have been taken by the Executive Directors. MJ Norris is a Director and of, and has a material interest in, the private company Triage Services Limited.

Information and support

All Directors receive appropriate documentation in advance of each of the Board and Committee meetings. This includes detailed briefings on all matters, to enable Directors to discharge their duties effectively when considering a matter and reaching a decision on it.

A procedure is in place to enable individual Directors to obtain independent professional advice, at the Company's expense, where they believe it is important to the furtherance of their duties, and judge it necessary to discharge their responsibilities as Directors. The Company Secretary ensures that the Board Committees are provided with sufficient resources to undertake their duties.

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

The Company Secretary is responsible for advising the Board on all corporate governance matters and provides advice to the Chairman of the Board to ensure that all Board procedures are followed. All Directors have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter requiring Board approval.

Evaluation

Each year the Board, as required by the Code, carries out an evaluation of its own effectiveness. During the period from December 2016 to January 2017, an external evaluation of the Board and each of its Committees' performance was carried out by Independent Audit Limited for the financial reporting period. The results were presented to the Board in February 2017 and an action plan drawn up against which progress will be monitored regularly.

The format of the review was a series of specifically tailored online questionnaires provided by Independent Audit Limited, for the Board and each of its Committees. The Chairmen of the Board and each of its Committees were given the opportunity to review and shape both the questionnaires and the list of non-Board respondents to make best use of the process. Independent Audit Limited had no connection with the Company beyond this evaluation. The questionnaire responses were collated and analysed before inclusion into a report for the Board's consideration. This report was presented to the Board by Independent Audit Limited who led a discussion on the key findings and the implications for the future development of the Board.

The review looked at key areas of responsibility including strategy, decision making, composition and dynamics, leadership and talent development and succession planning. The Board also reviewed the balance of skills and diversity. The evaluation found there to be open and constructive dialogue between Board members and a sound and challenging relationship between Non-Executive and Executive Directors. The Board are satisfied that there is a clearly articulated strategy and a good process for managing risk. Despite the encouragingly high scores which were evident, the Directors concluded that improvements could be made in three key areas of performance.

The Board will increase its efforts to understand the competition and the needs and wants of customers so as to be sure that there is a strong and effective level of challenge by the Non-Executive Directors in the areas of strategy, development and investment, and operational and financial performance. The Company will also improve the presentation of information to the Board members which, at times, was excessively detailed and would benefit from sharper description and summarisation. The Board also concluded that it would benefit from even more in-depth review and analysis of our leadership development and talent management programmes.

The Senior Independent Non-Executive Director, Philip Yea, carried out a review of the Chairman's performance with input from the remaining Non-Executive Directors, with the feedback provided then discussed formally at the following meeting of the Board.

Re-election

Whilst the Company's Articles of Association require a Director to be subject to election at the first AGM following his or her appointment and thereafter every third year, the Board has decided that, in accordance with the Code, all Directors on the Board, should be subject to election or re-election at the Company's next AGM on 4 May 2017. All Directors will then be subject to election or re-election at each AGM thereafter.

ACCOUNTABILITY

Financial and business reporting

The Directors of the Company are required to include the following in this report under the Code. Please see:

- page 91 for the Board's statement on the Annual Report and Accounts being fair, balanced and understandable and providing the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- page 66 for the statement on the status of the Company and the Group as a going concern;
- the Strategic Report on pages 1 to 53 for an explanation of the Group's business model and the strategy for delivering the objectives of the Group; and
- pages 22 to 25 for confirmation that the Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the Code, the Directors have assessed the prospects of the Group over a longer-term perspective than the 12 months required by its 'Going Concern' statement requirement. The Directors have assessed the viability of the Group's current position over a period of three years from the balance sheet date of this Annual Report and Accounts, 31 December 2016. This period was selected as an appropriate timeframe for the following reasons:

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

Whilst the Directors have no reason to believe the Group will not be viable over a longer period, given the inherent uncertainty involved we believe that a three-year period presents readers of the Annual Report and Accounts with a reasonable degree of confidence while still providing a longer-term perspective. The Board considers annually, and on a rolling basis, a three-year business plan consisting of the detailed bottom-up financial target for the current year (2017), and two further years (2018 and 2019) of forecast information driven by top-down assumptions overlaid on the detailed target year. The three-year plan was last considered and approved by the Board on 13 December 2016.

This three-year business plan along with the current position and prospects and the Group's strategy are subject to sensitivity analysis which involves flexing a number of the main assumptions underlying the forecast. The forecast cash flows from the three-year plan are aggregated with the current position to provide a total three-year headroom operating envelope against which the total impact of potential risks and uncertainties can be assessed.

In the absence of external debt within the Group, access to available uncommitted finance facilities, ability to raise new finance in most foreseeable market conditions and the ability to restrict dividend payments as an instrument of last resort, were also considered.

Impact of risks

The potential impact of the risks and uncertainties, as set out on pages 22 to 25 of the Annual Report and Accounts, was then applied to the outcome of the sensitised three-year business plan. This assessment included only those risks and uncertainties that would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and were considered as severe, but reasonable, scenarios and included any assessment of how the risks were managed and the effectiveness of any mitigating actions should the principal risks or uncertainties materialise either individually or, where a reasonable scenario could suggest, in unison.

Where appropriate, a sensitivity analysis is also carried out to evaluate the potential impact of the Group's principal risks and uncertainties actually occurring. The combined effect of the potential occurrence of several of the most impactful risks and uncertainties is then compared to the headroom envelope generated throughout the three-year plan to assess whether the business is judged to be able to continue in operation.

Conclusion

Based on the period and assessment above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due over the three-year period to 31 December 2019.

Risk management

The Board has carried out a robust assessment of the principal risks facing the Group, including those that threaten its business model, future performance, solvency or liquidity. Please refer to pages 22 to 25 for further information on the Group's principal risks and uncertainties, including how they are being managed and mitigated.

The primary responsibility for identifying and managing the risks faced by the Group lies with Executive and Senior Management. A comprehensive risk management programme has been developed and is monitored by the Group Risk Committee, the members of which include Senior Operational Managers across the Group, the Group Finance Director and the Group Head of Internal Audit and Risk. The Group Risk Committee is chaired by the Group Chief Operating Officer.

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

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

Internal control

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

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

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

Responsibilities and authority structure

The Board has overall responsibility for making strategic decisions and there is a written schedule of Matters Reserved for the Board. The Group Executive Committee meets on a monthly basis to discuss day-to-day operational matters and, with the implementation of the Group Operating Model now having taken place across all of the Group's main operating entities, ultimate authority and responsibility for operational governance sits at Group level.

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

Procedures exist and authority levels are documented to ensure that proposals for capital expenditure are properly reviewed and authorised. Cases for all investment projects are reviewed and approved at divisional level. Major investment projects are subject to approval by the Board, and Board input and approval is sought for all merger and acquisition proposals.

Planning and reporting processes

A three-year strategic plan is prepared or updated by Senior Management 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 reviewed against budgets and agreed targets for the period which, additionally, are compared to historic data as deemed appropriate, such as for the previous year. The results and explanations for variances are regularly reported to the Board. Appropriate action is taken where variances arise.

Management and specialists within the Finance Department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure financial information is relevant, reliable, in accordance with applicable laws and regulations and distributed both internally and externally in a timely manner. A review of the Consolidated Financial Statements is completed by Management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to review by the Audit Committee.

Centralised treasury function

The Board has established, and reviews regularly, key treasury policies over matters such as counterparty exposure, borrowing arrangements and foreign exchange exposure management. The management of liquidity and borrowing facilities for customer specific requirements, ongoing capital expenditure and working capital of the business are all undertaken by the Group Treasury Function which reports to the Group Finance Director, with regular reporting to the Audit Committee. Management oversight has been further enhanced this financial reporting period with the standing up of the Group Treasury Committee which is responsible for the ongoing review of treasury policy and strategy and recommending any changes to the stated policy which will be presented for Board approval. The Committee is also responsible for approving any Treasury activities on an ad hoc basis which are not covered by the existing treasury policy documents or are matters reserved for the Board alongside monitoring hedging activities for effectiveness. The Committee comprises of the Group Finance Director who also acts as Chairman of the Committee, the Group Financial Controller, the Group Head of Financial Reporting and the Group Head of Tax and Treasury.

Quality and integrity of staff

Rigorous recruitment procedures are in place to ensure that new employees are of a suitable calibre. Management continuously monitors training requirements, and ongoing appraisal procedures are in place, to ensure that required standards are maintained across the Group. Resource requirements are identified by managers and reviewed by Senior Management.

Compliance policies

The Group has in place a number of compliance policies which are applied, including those relating to Business Ethics and Anti-bribery. Any breach of these policies by an employee is considered a disciplinary matter and is dealt with accordingly. The internal control regime is supported by the operation of a Whistleblowing reporting function, which is now operated by an external independent third party provider. During the year, a new Compliance Committee was formed to supervise compliance related activity and issues across the Group and to support the Risk Committee in that regard.

Audit Committee and the Auditor

For further information on the Company's compliance with the Code provisions relating to the Audit Committee, Group Auditor, and Internal Audit, please refer to the Audit Committee on pages 68 to 72.

Remuneration

The Directors' Remuneration Report on pages 75 to 90 explains the work of the Remuneration Committee, and the level and components of remuneration for the Directors. The Company has included a revised Directors' Remuneration Report, which will be put before shareholders by way of a binding shareholder vote at the Company's 2017 AGM.

Relations with shareholders

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

Dialogue with shareholders

The Board is informed of any substantial changes in the ownership of the Company's shares by the Company's corporate brokers who provide monthly reports on that ownership. In addition, meetings are held with major shareholders following both the full-year and half-year results. Normally, these meetings are with the CEO and FD. The whole Board is briefed on the outcome of these meetings and any issues raised are discussed. It additionally receives feedback reports from the Group's investor relations firm, Tulchan Communications LLP, and the Company's corporate brokers, Investec plc and Credit Suisse.

In addition, once a year, the Company's top 15 shareholders are invited to meet individually with the Chairman, Company Secretary and, on request, the Senior Independent Director to provide feedback on the Group's Management and raise other comments, albeit only a few shareholders take up this opportunity. Specifically, at these meetings, the Company's strategy and corporate governance arrangements are discussed and feedback is invited on any areas of particular interest from the relevant shareholder. These meetings are taking place in March and April 2017, in order to address any areas of discussion prior to the Company's next AGM. Again, the Board will be briefed on the outcomes of these meetings. Non-Executive Directors are available to meet with major shareholders at any time and can be contacted through the Company Secretary at the Company's registered office address.

Constructive use of General Meetings

All of the Directors aim to attend the AGM and value the opportunity of welcoming individual shareholders and other investors to communicate directly and address their questions. In addition to mandatory information, a full, fair and balanced explanation of the business of all general meetings is sent in advance to shareholders. Resolutions at the Company's general meetings have been passed on a show of hands and proxies for and against each resolution (together with any abstentions) are announced at such meetings, noted in the minutes, available on the Company's website and notified to the market.

Annual General Meeting (AGM)

The AGM of the Company will be held on Thursday 4 May 2017 at Computacenter House, 100 Blackfriars Road, SE1 8HL. The AGM notice of meeting sets out each of the resolutions being proposed. This notice will shortly be available for download from www.computacenter.com, and will be mailed to shareholders if they have elected to receive hard copies.

Compliance with DTR

The information that is required by DTR 7.2.6, relating to the share capital of the Company, can be found within the Directors' report from page 63.

By order of the Board

Raymond Gray
Company Secretary

13 March 2017

Computacenter plc is incorporated as a public limited company and is registered in England with the registered number 3110569. Computacenter plc's registered office address is Hatfield Avenue, Hatfield, Hertfordshire, AL10 9TW. The Company's registrar is Equiniti Limited who are situated at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

The Directors present the Directors' Report, together with the audited accounts of Computacenter plc and its subsidiary companies [the Group] for the year ended 31 December 2016.

Pages 1 to 91 of this Annual Report and Accounts are incorporated by reference into the Directors' Report that has been drawn up and presented in accordance with English company law, and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

STRATEGIC REPORT

The Companies Act 2006 requires the Group to prepare a Strategic Report, which commences at the start of this Annual Report and Accounts up to page 53. The Strategic Report includes information about the Group's operations and business model, particulars of all important events affecting the Company or its subsidiaries, the Company's financial performance throughout the year and likely future developments, key performance indicators, principal risks and information regarding the Group's sustainable development plan.

CORPORATE GOVERNANCE

Under Disclosure and Transparency Rule 7.2, the Company is required to include a Corporate Governance report within the Directors' Report. Information on our corporate governance practices can be found in the Corporate Governance Report on pages 56 to 62, and the reports of the Audit, Remuneration and Nomination Committees on pages 68 to 90, all of which are incorporated into the Directors' Report by reference, as explained previously in this Directors' Report.

MANAGEMENT REPORT

This Directors' report, together with the other reports, forms the Management Report for the purposes of Disclosure and Transparency Rule 4.1.8.

RESULTS AND DIVIDENDS

The Group's activities resulted in a profit before tax of £87.1 million (2015: £126.8 million). The Group profit for the year, attributable to shareholders, amounted to £63.8 million (2015: £103.1 million).

The Directors recommend a final dividend of 15.0 pence per share totalling £18.4 million.

We announced a second interim dividend for 2015 (the Second Interim Dividend) of 15.0 pence per share, in lieu of a final dividend for 2015. The second interim dividend for 2015 was paid on 5 April 2016.

The dividend record date is set on Friday 12 May 2017, and the shares will be marked ex-dividend on Thursday 11 May 2017. This is in line with the normal dividend procedure timetable as set by the London Stock Exchange.

Following the payment of a first interim dividend for 2016 of 7.2 pence per share on 14 October 2016, the total dividend per share for 2016 will be 22.2 pence per share. The Board has consistently applied the Company's Dividend Policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times. Further detail on the Company's Dividend Policy can be found within the Group Finance Director's Review on page 51.

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 2016 accounts, as described in note 12, is made up of the 2015 second interim dividend (15.0 pence per share) and the 2016 interim dividend (7.2 pence per share).

ARTICLES OF ASSOCIATION

The Company's Articles of Association set out the procedures for governing the Company. A copy of the Articles of Association, which were not amended during the reporting period, is available on the Company's website www.computacenter.com. The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

DIRECTORS AND DIRECTORS' AUTHORITY

The Directors who served during the year ended 31 December 2016 were Tony Conophy, Philip Hulme, Greg Lock, Mike Norris, Peter Ogden, Minnow Powell, Ros Rivaz, Regine Stachelhaus and Philip Yea. Biographical details of each Director, as at 31 December 2016, are given on pages 54 and 55. The Company's Articles of Association require at each AGM that those Directors who were appointed since the last AGM retire, as well as one-third of the Directors who have been the longest serving. The Board has decided, in accordance with the Code, that all Directors, with the exception of Ros Rivaz, will retire at each forthcoming AGM and offer themselves for re-election. The Nomination Committee has considered the re-election of each Director and recommends their re-election. Further details on the Committee's recommendations for the re-election of the Directors are set out in the Notice of AGM, which summarises the skills and experience that the Directors bring to the Board. At the 2017 AGM, Ros Rivaz will offer herself for election to the Board for the first time following her appointment in November 2016.

Subject to applicable law and the Company's Articles of Association, the Directors may exercise all of the powers of the Company. The Company's Articles of Association provide for a Board of Directors consisting of not fewer than three, but not more than 20 Directors, who manage the business and affairs of the Company. The Directors may appoint additional or replacement Directors, who shall serve until the following AGM of the Company, at which point they will be required to stand for election by the members. A Director may be removed from office by the Company as provided for by applicable law, in certain circumstances set out in the Company's Articles of Association, and at a general meeting of the Company, by the passing of an Ordinary Resolution (provided special notice has been given in accordance with the Companies Act 2006).

Members have previously approved a resolution to give the Directors authority to allot shares, and a renewal of this authority is proposed at the 2017 AGM. This authority allows the Directors to allot shares up to the maximum amount stated in the Notice of AGM (approximately one-third of the issued share capital). In addition, the Company may not allot shares for cash (unless pursuant to an employee share scheme) without first making an offer to existing shareholders in proportion to their existing holdings. This is known as rights of pre-emption. A resolution to allow a limited waiver of these rights was passed by the members at last year's AGM. At the Company's 2016 AGM, members also approved a resolution giving delegated authority allowing the Company to make market purchases of its own shares, up to a maximum of 10 per cent of the Company's issued share capital, subject to certain conditions including price of purchase, amongst others. Each of these standard authorities will expire on 30 June 2017, or at the conclusion of the Company's 2017 AGM, whichever is the earlier. The Directors will seek to renew each of the authorities at the 2017 AGM, and full details are provided in the Notice of AGM. As at 28 February 2017, none of these authorities approved by shareholders at the 2016 AGM have been exercised.

DIRECTORS' INDEMNITIES

The Company has executed deeds of indemnity with each of the Directors. These deeds contain qualifying third party indemnity provisions, indemnifying the Directors to the extent permitted by law and remain in force at the date of this report. The indemnities are uncapped and cover all costs, charges, losses and liabilities the Directors may incur to third parties, in the course of acting as Directors of the Company or its subsidiaries.

DIRECTORS' CONFLICTS OF INTEREST

The Board has put in place a process whereby the Directors are required to notify the Company Secretary of any situations (appointments, holdings or otherwise), or any changes to such, which may give rise to an actual or potential conflict of interest with the Company. These notifications are then reviewed by the Board and recorded in a register maintained by the Company Secretary and, if appropriate, are considered further by the Directors who are not conflicted in the matter, to (if deemed appropriate) authorise the situation. The register of notifications and authorisations is reviewed by the Board twice a year. Where the Board has approved an actual or potential conflict, it has imposed the condition that the conflicted Director abstains from participating in any discussion or decision affected by the conflicted matter.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors in the share capital of the Company, at the start and end of the reporting period, were as follows:

	As at 31 December 2016		As at 1 January 2016 or 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 Directors				
Mike Norris	1,142,157	–	1,142,157	–
Tony Conophy	1,786,915	–	1,786,915	–
Non-Executive Directors				
Greg Lock	600,000	70,000	500,000	30,000
Philip Hulme	10,867,582	10,077,815	11,067,582	9,877,815
Peter Ogden	20,119,473	8,718,748	20,119,473	8,718,748
Minnaw Powell	1,340	–	1,340	–
Ros Rivaz	1,382	–	1,382	–
Regine Stachelhaus	–	–	–	–
Philip Yea	8,000	–	8,000	–

Between 31 December 2016 and 28 February 2017 there have been no changes to the interests detailed above.

MAJOR INTERESTS IN SHARES

In accordance with Disclosure and Transparency Rule 5, between 1 January 2016 and 31 December 2016 the Company was notified of the following updates to disclosable interests in its issued ordinary shares:

Name of Major Shareholder	Percentage of total voting rights held
Philip Hulme	8.86
Schroder Investment Management Ltd	4.14
Investec Asset Management Ltd	5.31

An updated list of the Company's major shareholders is available at www.computacenter.com.

CAPITAL STRUCTURE AND RIGHTS ATTACHING TO SHARES

As at 28 February 2017, there were 122,687,970 fully paid ordinary shares in issue, all of which have full voting rights. There are no specific restrictions on the transfer of securities in the Company, which is governed by its Articles of Association, and prevailing legislation.

The holders of ordinary shares are entitled, subject to applicable law and the Company's Articles of Association to:

- have shareholder documents made available to them, including notice of any general meetings of the Company; and
- to attend, speak and exercise voting rights at general meetings of the Company, either in person or by proxy.

The Company is not aware of any arrangements between shareholders which may result in restrictions on the transfer of securities or other voting rights.

Additionally, there were 292,944,196 deferred shares in issue which carry no voting rights. Pursuant to the Company's share schemes, there are two employee benefit trusts which, as at the year end, held a total of 2,065,554 ordinary shares of 7½ pence each, representing approximately 1.68 per cent of the issued share capital. The rights attaching to each of the Company's ordinary shares and deferred shares are set out in its Articles of Association. During the 2016 financial year, no ordinary shares in the Company were issued for cash to satisfy the exercise of options exercised under the Company's outstanding option schemes. During the year, the trusts purchased a total of 1,150,633 shares in order to ensure that the maturities occurring pursuant to these share option schemes could be satisfied. In the event that shares are held by these trusts before being transferred to employee participants pursuant to the schemes then, in line with good practice, the Trustees do not exercise the voting rights attaching to such shares. The Trustees also have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.

In the event that another entity or individual takes control of the Company, the employee share schemes operated by the Company have change of control provisions contained within them that would be triggered. Participants may, in certain circumstances, be allowed to exchange their existing options for options of an equivalent value over shares in the acquiring company. Alternatively, the options may vest early, in which case, early vesting under the executive schemes will generally be on a time-apportioned basis and under the Sharesave scheme, employees will only be able to exercise their options to the extent that their accumulated savings allow at that time. The Company was granted authority at its AGM on 19 May 2016, to make market purchases of up to 12,268,797 ordinary shares of 7½ pence each. This authority will expire at the 2017 AGM, where approval from shareholders will be sought to renew the authority. During the period no shares were purchased for cancellation.

SIGNIFICANT AGREEMENTS AND RELATIONSHIPS

Details regarding the status of the various borrowing facilities used by the Group are provided in the Group Finance Director's review on pages 50 to 53. These agreements each include a change of control provision, which may result in the facility being withdrawn or amended upon a change of control of the Group. It is also not extraordinary within our business sector for our longer term Services contracts to contain change of control clauses that allow a counterparty to terminate the relevant contract in the event of a change of control of the Company.

The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control on takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under share schemes and plans to vest on a takeover.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are discussed in the Group Finance Director's Review on pages 52 to 53.

EMPLOYEE SHARE SCHEMES

The Company operates executive share option schemes and a performance-related option scheme for the benefit of employees. During the year, no options were granted under the executive share option schemes.

At the year end, the options remaining outstanding under these schemes were in respect of a total of nil ordinary shares of 7½ pence each [2015: 30,000 shares]. During the year options over 30,000 shares were exercised and no options over shares lapsed. The Company also operates a Performance Share Plan (PSP) to incentivise employees. During the year, 609,748 ordinary shares of 7½ pence each were conditionally awarded [2015: 690,807 shares]. At the year end, awards over 1,988,947 shares remained outstanding under this scheme [2015: 2,279,008 shares]. During the year, awards over 697,747 shares were transferred to participants and awards over 202,062 shares lapsed. In addition, the Company operates a Sharesave scheme for the benefit of employees. As at the year end, 4,099,366 options granted under the Sharesave scheme remained outstanding [2015: 3,957,127].

CORPORATE SUSTAINABLE DEVELOPMENT AND POLITICAL DONATIONS

The Board recognises that acting in a socially responsible way benefits the community, our customers, shareholders, the environment and employees alike. Further information can be found in the report on pages 28 to 30 and covers matters regarding health and safety, the environment, equal opportunities, employee involvement and employee development. During the year, the Group did not make any political donations to any political party or organisation and it did not incur any political expenditure within the meaning of Sections 362 to 379 of the Companies Act 2006.

EQUAL OPPORTUNITIES

The Group acknowledges the importance of equality and diversity and is committed to equal opportunities throughout the workplace. The Group's policies for recruitment, training, career development and promotion of employees, are based purely on the suitability of the employee and give those who may be disabled equal treatment to their able bodied colleagues. Where an employee becomes disabled, subsequent to joining the Group, all efforts are made to enable that employee to continue in their current job. However if, due to the specific circumstances, it is not possible for an employee to continue in their current job, they will be given suitable training for alternative employment within the Group or elsewhere.

The Group monitors and regularly reviews its policies and practices to ensure that it meets current legislative requirements, as well as its own internal standards. The Group is committed to making full use of the talents and resources of all its employees and to provide a healthy environment that encourages productive and mutually respectful working relationships within the organisation. Policies dealing with equal opportunities are in place in all parts of the Group, which take account of the Group's overall commitment and also address local regulatory requirements.

EMPLOYEE INVOLVEMENT AND DEVELOPMENT

The Group is committed to involving all employees in significant business issues, especially matters which affect their work and working environment. A variety of methods are used to engage with employees, including team briefings, intranet, email and in-house publications. The Group will use one or more of these channels to brief employees on the Group's performance and the financial and economic factors affecting the Group's performance. In particular, the Group operates a Save As You Earn (SAYE) share scheme, which is open to eligible employees, where employees are encouraged to save a fixed monthly sum for a period of either three and/or five years. Upon maturity of the scheme at the end of the relevant savings period, participants can purchase shares in the Company at a price set at the commencement of the savings period. The primary method used to engage and consult with employees is through team briefings, where managers are tasked with ensuring that information sharing, discussion and feedback happen on a regular basis.

The development of employee skills and careers, as well as the communication of the Group's goals, are driven by our Winning Together processes and tools. Annual assessments via our Winning Together processes and tools are a formal requirement of all managers.

Employee consultative forums exist in each Group country to consult staff on major issues affecting employment and matters of policy, and to enable management to seek the views and opinions of employees on a wide range of business matters. Should there be cross-jurisdictional issues to discuss, a facility exists to engage a European forum made up of representatives from each country forum. The Group regularly reviews the performance of its employees through a formal review process, in order to identify areas for development. Managers are responsible for setting and reviewing personal objectives, aligned to corporate and functional goals. The Board closely oversees and monitors management skills and the development of talent to meet the current and future needs of the Group. The Board directly monitors and reviews closely, succession and plans for developing identified key senior managers.

BUSINESS ETHICS

A Group Ethics policy is now in place, which commits its employees to the highest standards of ethical behaviour in respect of customers, suppliers, colleagues and other stakeholders in the business. The policy includes a requirement for all employees to report abuses or non-conformance with the policy and sets out the procedures to be followed.

GOING CONCERN

Computacenter's business activities, business model, its strategic goals and its performance are set out within the Strategic report on pages 1 to 53. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out within the Group Finance Director's review on pages 45 to 53. In addition, notes 26 and 27 to the Financial Statements include Computacenter's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Directors have, after due consideration, a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the Financial Statements as set out on pages 96 to 142 of this Annual Report and Accounts. Thus, they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

LONG-TERM VIABILITY STATEMENT

The Directors' statement regarding the long-term viability of the Company is set out on page 60.

GREENHOUSE GAS EMISSIONS

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from Group activities. Details of this can be found within the Sustainable Business section of the Strategic Report on pages 28 to 30.

AUDITOR

A resolution to reappoint KPMG LLP as Auditor of the Group was approved by the Company's shareholders at the Company's 2016 AGM. A resolution to reappoint KPMG LLP as the Auditor of the Group will be put to shareholders at the forthcoming 2017 AGM.

DISCLOSURE OF INFORMATION TO AUDITOR

In accordance with Section 418 of the Companies Act 2006, each of the persons who is a Director at the date of approval of this report confirms that:

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

LISTING RULE (LR) DISCLOSURES

For the purposes of LR 9.8.4CR, the information required to be disclosed by LR 9.8.4R are set out below along with cross references indicating where the relevant information is otherwise set out in the Annual Report and Accounts or can be found in the following locations:

Interest capitalised	N/A
Publication of unaudited financial information	N/A
Details of performance share plans	Details of the Company's performance share plan scheme can be found in the Remuneration Committee Report on page 77.
Waiver of emoluments by a Director	N/A
Waiver of future emoluments by a Director	N/A
Non pre-emptive issues of equity for cash	N/A
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	N/A
Contracts of significance	Details of significant contracts are set out in the Group Finance Directors' Review on pages 50 to 53. Details of transactions with related parties are set out on page 136 in note 33 to the Financial Statements.
Provision of services by a controlling shareholder	N/A
Shareholder waiver of dividends	The Trustees of the Company's employee share schemes have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.
Shareholder waiver of future dividends	The Trustees of the Company's employee share schemes have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.
Agreements with controlling shareholder	Any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30 per cent or more of the votes able to be cast on all or substantially all matters at general meetings are known as 'controlling shareholders'. The Financial Conduct Authority's Listing Rules now require companies with controlling shareholders to enter into a written and legally binding agreement (a Relationship Agreement) which is intended to ensure that the controlling shareholder complies with certain 'independence related' provisions. The Company confirms that it has undertaken a thorough process during the reporting period to review whether it has any 'controlling shareholders'. Following this process, it was determined that there was no requirement on the Company to enter into a Relationship Agreement with any of its shareholders. The Company confirms that this remains the case as at 31 December 2016, but will keep the matter under review.

Mike Norris
Chief Executive Officer

Tony Conophy
Group Finance Director

13 March 2017

AUDIT COMMITTEE REPORT

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

* Ros Rivaz was appointed to the Board on 11 November 2016.

COMPOSITION OF THE COMMITTEE

As at 31 December 2016, the Audit Committee was comprised of the four Independent Non-Executive Directors on the Board. All members are considered to be appropriately qualified and experienced to fulfil their role and allow the Committee to perform its duties effectively. For the purposes of Code provision C.3.1, two members of the Committee, both Minnow Powell and Philip Yea, are considered to have recent and relevant financial experience. The Committee notes the compositional requirements of the New Code and confirms that, after having considered the requirements against feedback provided through the Board and Committee effectiveness review, the Committee as a whole has competence relevant to the sector in which the Company operates. Further details of specific relevant experience can be found in the Directors' biographies on pages 54 and 55.

MEETINGS OF THE COMMITTEE

The Committee met four times during the course of 2016. Meetings are attended routinely by the Chairman of the Board, Group Finance Director, Chairman of the Group Risk Committee, Group Head of Financial Reporting, the Group Head of Internal Audit & Risk Management and the external Auditor. They cover a standing list of agenda items which is based on the Committee's Terms of Reference, and consider additional matters at the discretion of the Chairman as and when deemed necessary. Meetings are also attended by the Group Company Secretary, who acts as Secretary to the Committee. I am satisfied that the flow of supporting information to the Committee is appropriate and provided in good time to allow members sufficient opportunity to review matters due for consideration at each Committee meeting. I am also satisfied that meetings were scheduled to allow sufficient time to enable full and informed debate.

Minnow Powell
Chairman of the
Audit Committee



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

PRINCIPAL RESPONSIBILITIES OF THE COMMITTEE

Immediately following each meeting of the Committee, the Chairman reports to the Board on the Committee's activities, and how it is discharging its responsibilities as set out in its Terms of Reference which can be found on the Company's website at www.computacenter.com.

Its main responsibilities during the year, as set out in the Code, were as follows:

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

ACTIVITIES OF THE COMMITTEE

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

FINANCIAL REPORTING AND JUDGEMENTS

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

Services contract accounting

The Committee had a key focus on Services contract accounting during the year. The Audit Committee received regular updates from Management on a number of specific key material contracts across its major geographies throughout the year. These contracts were selected due to performance being lower than anticipated at the bid stage of the contract, or where there were complex revenue recognition elements to the contract.

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

Supply Chain revenue recognition and cut-off procedures

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

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

Exceptional and other adjusting items

The Committee considered the nature and quantum of those items disclosed as exceptional or as other adjusting items outside of adjusted¹ profit before tax in the Group's 2016 Annual Report and Accounts.

The Company made a number of fair value adjustments on acquisition of a German company, becom Informationssysteme GmbH (becom), in 2010. The final payment of the contingent consideration due to the vendor was made during 2016, following which the remaining £3 million of historical fair value adjustments were released to the Income Statement. The Committee reviewed the history of the adjustments, Management's calculations, and the judgements made to classify this as an exceptional item. The Committee was satisfied that due to the materiality and nature of the release, the classification outside of the adjusted¹ results was appropriate.

The Committee reviewed the classification of the loss recognised by the Group following its sale of its subsidiary in Luxembourg. The Committee was satisfied that Management's proposal to report the loss as a separate line on the face of the Consolidated Income Statement, was in line with the Group's accounting policy due to its nature and infrequency. Further, the treatment was consistent with the prior period.

Following a restructuring in France, which saw the Group exit a Line of Business that had gross overcapacity, the Committee was satisfied that presenting the cost of this restructure within exceptional items was important in understanding the scale and speed of the wider French recovery and its impact on the French Segment which is of relevance when assessing the wider Group result.

The Committee has continued to monitor the progress of the Group's two remaining onerous contracts in Germany during the year. Whilst these contracts have continued to show improved operational performance, the Committee reviewed Management's ongoing judgements with regards to provisioning against the residual contractual losses forecast and agreed that the levels remained appropriate.

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

Going concern basis for the Financial Statements

In order to input into the Board's assessment of whether it was appropriate for the Group to adopt the going concern basis in preparing Financial Statements, at both the half year and full year, the Committee considered detailed reviews, based on the Group's financial plans, in relation to liquidity and solvency of the Group taking into consideration its cash position and committed bank facilities. It considered the financing requirements of the Group in the context of available committed facilities, including one of £40 million which remains undrawn, and challenged Management's forecasts concerning trading performance. The Committee noted the Code requirement for the Directors to state whether they consider it appropriate to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the Group's 2016 Financial Statements. Following its considerations, the Committee was satisfied that the going concern basis of preparation continues to be appropriate.

New Revenue Recognition Standard (IFRS 15)

Throughout the year, the Committee has discussed the forthcoming IFRS 15 standard and the potential impacts on the Group's revenue recognition and associated policies and procedures. At its December 2016 meeting, the Committee received a formal impact analysis and implementation readiness overview from Management. In March 2017, the Committee received a presentation from a third party accounting firm, who had been selected after a competitive tender, on IFRS 15 which informed the disclosure in note 2 to the Financial Statements. The progress will be monitored as a standing item at each Audit Committee meeting in 2017.

VIABILITY STATEMENT

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

Following its review of proposals from Management, the Committee continues to recommend to the Board that it set the period of assessment for this Viability Statement at three years, given the nature of the Group's business model and its strategic time horizon. The Committee and Board reviewed Management's financial forecasts for the three-year period of assessment, and challenged the process undertaken and assumptions made by the Group's Risk Committee in assessing how those forecasts would be impacted by a realistic concurrence of the Group's principal risks. As a result, the Committee recommended to the Directors that they could make the statement required for the assessment period without qualification. The statement and explanation from the Directors can be found within the Corporate Governance Statement on page 60.

OTHER SIGNIFICANT ACTIVITY

During the year, the Committee reviewed its own Terms of Reference against the Code and the Guidance for Audit Committees, following which these were amended and submitted to, and subsequently approved by, the Board.

It also received a report from the external Auditor relating to any changes to its procedures as a result of the EU Audit Directive coming into force, and the Committee reviewed and approved an amended Non-Audit Fee Policy as a result.

The Committee commissioned a review of the Group's Finance Shared Services Centre (SSC) based in Budapest, Hungary. The Committee examined the aspects of the migration of relevant accounting services, specifically the turnaround in core accounting functions for France now performed in the SSC. The Committee also reviewed operational issues within the SSC, specifically the annual attrition rate, and examined Management's future strategy for incremental implementation of further service provisioning from an SSC environment.

The Committee reviewed policies, processes and controls and the reporting of the Group's tax and treasury functions, and controls around purchase to pay and order to cash. A review of the Company's distributable reserves was carried out prior to the declaration of both the interim and final dividends by the Company in respect of the reporting period. The Committee continues to monitor the overall recovery of performance in France.

Following the Referendum on 23 June 2016, the Committee requested Management to review the commercial and financial implications of the decision to leave the European Union. Management presented these for examination to the Committee at the earliest available opportunity leading the Committee to agree that the Group remains well-positioned through its geographic spread, balance sheet strength and diversity of offering to meet the foreseeable challenges that leaving the European Union may present.

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

PERFORMANCE OF THE COMMITTEE

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

THE EFFECTIVENESS OF INTERNAL CONTROLS AND THE RISK MANAGEMENT FRAMEWORK

On behalf of the Board, the Audit Committee is responsible for overseeing the effectiveness of the Group's systems of Internal Control and the Risk Management Framework, and during the year reviewed the effectiveness of a number of its internal control procedures. A number of detailed areas for improvement were identified and actions implemented as a result of the review of internal controls by Management and the Internal Audit function. To assist the Board, the Committee monitors the risk management processes and reports from Internal Audit. The Committee continues to monitor implementation of agreed improvements, with an emphasis on strengthening user access controls.

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

Compliance Steering Committee

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

The CSC is responsible for defining relevant areas of law or regulation applicable to the Group, to assign these to members of Management and identify levels of compliance and associated risk, with the aim of ensuring that these are appropriate for the Group as a whole. Critical areas, amongst others, within the remit of the CSC include Anti-bribery and Corruption, Whistleblowing and Data Protection. At the end of the year, the CSC distributed a questionnaire to Management in order to establish ownership, and current levels, of compliance with laws and regulations within the Group and will report their findings to the GRC in 2017.

During the year, the CSC implemented a Group-wide Whistleblowing hotline, provided by a third party, to provide a secure and anonymous means for employees to make the disclosures that they would otherwise feel unable to do so. The CSC supervised the rollout of the Group Ethics policy, which is largely complete and only subject to local employee council approval. The CSC advised on the appointment of a Group Data Protection Officer and presented the Group Data Protection Standards and Principles to the Audit Committee.

WHISTLEBLOWING

The Committee confirms that it is satisfied that, as at the date of this report, arrangements are in place (i) to ensure that staff are able, in confidence, to raise concerns about possible improprieties in financial and other matters and (ii) for the proportionate and independent investigation of such concerns, including appropriate follow-up action. During the year, two such incidents were reported to the Committee who concluded that appropriate follow-up action had been taken.

THE EFFECTIVENESS OF INTERNAL AUDIT FUNCTION

The Group has an Internal Audit function which reports to the Chairman of the Audit Committee. The function has direct access to the CEO and the Chairman of the Audit Committee. Its key objectives are to provide independent and objective assurance on risks, and controls, to the Board, the Audit Committee and Senior Management, and to assist the Board in meeting its corporate governance and regulatory responsibilities. The Board, acting through the Audit Committee, has directed the work of the Internal Audit department towards those areas of the business that are considered to be of the highest risk. The Audit Committee approves a rolling audit programme, ensuring that all significant areas of the business are independently reviewed over, approximately, a three-year period. The programme and the findings of the reviews are assessed continually to ensure that they take account of the latest information and in particular, the results of the annual review of internal control and any shifts in the focus areas of the various businesses. The effectiveness of the Internal Audit department and the Group's risk management programme are reviewed annually by the Audit Committee.

The formal review consists of an evaluation of Internal Audit activities by members of the Audit Committee, managers across the business who have been subject to audit during the year and a self-assessment by the Group Head of Internal Audit & Risk Management. The assessment covers areas such as departmental organisation, business understanding, skills and experience, communication and performance. The results showed improvements in work planning, execution and reporting with further work to be done in 2017.

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

The Committee received an update from the Group Head of Internal Audit & Risk Management at each meeting during the year on current audit activities, and any associated issues resulting from the completion of their work. The Chairman meets with the Group Head of Internal Audit & Risk Management on a number of occasions throughout the year, through which he is updated regularly on the activities of the Internal Audit function, and receives a frequent assessment as to whether the function is resourced adequately.

The Committee has continued to work with the Group Head of Internal Audit & Risk Management on refining the Audit Universe, challenging and approving the Internal Audit plan and mapping that plan to our principal risks, and mitigating controls, as set out on pages 22 to 25. This is kept under review to reflect the changing needs of the business and to ensure that new and emerging business risks are appropriately considered within it, including reviewing and providing assurance to the Committee regarding the effectiveness of controls over bid management and contract reporting.

THE INTEGRITY OF THE GROUP'S RELATIONSHIP WITH THE AUDITOR AND THE EFFECTIVENESS OF THE EXTERNAL AUDIT PROCESS

External audit

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

Reappointment of the Auditor

Following the results of a review of the effectiveness of the external Auditor, and further discussions amongst the Committee, the Committee has recommended to the Board that it propose the reappointment of KPMG LLP as the Group's Auditor for approval by the Company's shareholders at its 2017 AGM. KPMG LLP was first appointed as the Group's Auditor with effect from May 2015, following a competitive tender process. The Committee will continue to review the performance of KPMG LLP as set out below on an annual basis. The lead audit engagement partner is Tudor Aw and he has been in place since the firm's appointment in 2015.

During the reporting period, the Company was in compliance with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Effectiveness of the external audit process

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

The Committee reviewed the effectiveness and quality of the external audit process in KPMG LLP's first year by:

- reviewing the audit plan and monitoring changes in response to new issues or changing circumstances;
- receiving reports on the results of the audit work performed; and
- considering the report of the FRC's Audit Quality Review Team (AQRT) on KPMG LLP. The Chairman met with the head of KPMG LLP's UK audit practice to understand the 2015 AQRT review. Responses provided by KPMG LLP were reviewed by the Committee.

The Committee will review further the effectiveness of the external audit process by means of a survey which is completed by key stakeholders and relevant internal management. The matters covered by the survey include the quality of delivery of the service and the KPMG LLP employees that are delivering it, including their understanding of the business and its audit risks, their degree of scepticism and challenge, alongside their competency. The results of the questionnaire will then be discussed as a specific agenda item at the Committee meeting immediately following the completion of the questionnaire process, and any actions requested by the Committee to enhance effectiveness will be followed up and appropriately monitored thereafter.

Auditor independence

The Committee places considerable importance on ensuring the continuing independence of the Group's Auditor. This topic is reviewed at least annually with the Auditor, who confirm their independence to the Committee twice a year.

Non-audit services

In support of maintaining the Auditor's independence, the Committee has established a policy in relation to the scope and extent of provision of non-audit services by the Group's Auditor which is summarised on this page. During the year, the Committee monitored compliance with this policy monitoring the level of non-audit work provided by the external Auditor, resulting in non-audit fees being 44.3 per cent of the KPMG LLP overall audit fee during 2016, as set out below:

	2016 £'000	2015 £'000
Auditor's remuneration:		
Audit of the Financial Statements	44	43
Audit of subsidiaries	493	428
Total audit fees	537	471
Audit-related assurance services	56	67
Taxation compliance services	29	44
Other assurance services	9	54
Taxation advisory services	144	124
Total non-audit services	238	289
Total fees	775	760

The Committee deemed it appropriate to use the Group's Auditor for tax services as, at the time it was commissioned under the prevailing policy, due to their existing and detailed prior knowledge and understanding of the business. The Group will cease using the Group's Auditor for all taxation services during 2017.

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

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

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

The Group Auditor will, in no circumstances, undertake non-audit services for the Group to the extent that the total fee payable by the Group to its Auditor exceeds 70 per cent of the average annual statutory fee payable by the Group over the last three consecutive years.

Minnow Powell
Chairman of the Audit Committee

13 March 2017

Current Members	Role	Attendance record
1. Greg Lock (Chairman)	Non-Executive Chairman of the Board	3/3
2. Minnow Powell	Non-Executive Director	3/3
3. Ros Rivaz*	Non-Executive Director	0/0
4. Regine Stachelhaus	Non-Executive Director	3/3
5. Philip Yea	Non-Executive Director	3/3

* All Nomination Committee meetings for 2016 took place before Ros Rivaz's appointment on 11 November 2016.

MEMBERSHIP AND ATTENDANCE

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

The Company Secretary is the secretary to the Committee.

RESPONSIBILITIES OF THE NOMINATION COMMITTEE

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

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

The full Terms of Reference for the Nomination Committee are available on the Company's website: www.computacenter.com.

MAIN ACTIVITIES OF THE COMMITTEE IN 2016

The Nomination Committee met on three occasions during 2016 and its work included the following:

Board appointment

At a meeting of the Nomination Committee on 11 February 2016, it was agreed that the Committee should explore appointing an additional Independent Non-Executive Director in order to achieve compliance with provision B1.2 of the UK Corporate Governance Code and to provide additional succession resilience within the Board. The Chairman undertook to develop a specification for the appointment that included consideration of international experience and diversity of the Board. The Nomination Committee then led the process to search for, identify and nominate a new Independent Non-Executive Director in 2016.

In advance of instructing an external search to be undertaken, the Committee considered the skills, knowledge and experience on the Board following the recent additions of Minnow Powell and Philip Yea in the previous year.

The Chairman asked Russell Reynolds Associates, a global leader in assessment, recruitment and succession planning for boards of directors, to assist in the preparation of the brief. Russell Reynolds Associates had no other connection with the Company other than providing this type of service. It was provided with a profile of the required candidate, following which a search was carried out to identify suitable individuals who were then interviewed by members of the Nomination Committee and by the remaining Board Directors.

As part of the selection process, the Committee considered whether each candidate would have sufficient time to devote to being a Non-Executive Director of the Company, given their other existing commitments. Prior to formally recommending to the Board that Ros Rivaz be appointed as an Independent Non-Executive Director of the Company, the Committee considered and agreed that she would be independent in character and judgement, as defined under provision B1.1 of the UK Corporate Governance Code. Ros was also appointed as a member of the Company's Remuneration, Nomination and Audit Committees all with effect from 11 November 2016.



Greg Lock
Chairman of the Nomination Committee

Succession planning

The Committee understands and is focused on the need for effective succession planning for the future prosperity of the Company, and indeed this features as one of the Company's key risks within the Group Risk Log on pages 23 to 25 of this Annual Report. Developing future leaders and successor candidates is central to our strategy of creating and carrying forward a culture that builds customer relationships. The Committee, whilst recognising that internal talent development is primarily the responsibility of Management, has reviewed Management's pipeline of executive talent, both for emergency use and long-term potential.

Election and re-election of Directors

The Committee reviewed in detail the performance of the Directors who are standing for election or re-election at the Company's 2017 AGM. The results of the Company's most recent Board evaluation process were considered, alongside the contribution made by each individual, with the exercise being particularly rigorous in respect of Non-Executive Directors who have been in their role for six years or longer. Following this review, the Committee recommended that each Director on the Board as at 31 December 2016 be put forward for election or re-election by the Company's shareholders at the 2017 AGM.

Diversity

The Committee, and additionally the Board, continues to recognise the benefits that diverse skills, experience and points of view can bring to an organisation, and how it may assist the decision-making ability of the Board, thereby increasing its effectiveness. Whilst the Board continues to recognise and monitor the continuing debate around possible future legislation in this area, appointments to the Board will remain primarily based on merit, and it has not therefore set any measurable targets in this area. As at 31 December 2016, the Computacenter Board had two female Non-Executive Directors, Ros Rivaz and Regine Stachelhaus, representing 22.2 per cent of the total Board membership.

Greg Lock

Chairman of the Nomination Committee

13 March 2017

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' Remuneration report for the financial year ended 2016.

The report is split into three sections:

- This Annual Statement;
- The Annual Report on Remuneration (pages 82 to 90) which includes information concerning the amount paid to the Executive and Non-Executive Directors in 2016; and
- The Directors' Remuneration Policy (pages 76 to 81) which will be subject to a binding vote by shareholders at the Company's AGM in May 2017.

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

The year under review

During the reporting period, the geographic mix of profits changed due to both operating performance and to the devaluation of sterling. The UK business underperformed its targets whereas both Germany and France performed above expectations, in addition to which their reported figures in sterling benefited from euro strength. Overall the Group's profit performance was below the target set at the beginning of the year, (although other financial metrics were satisfactory) resulting in a relatively lower level of in-year variable remuneration for the Executive Directors. The achievement of one-year targets is assessed on a constant currency² basis and so the devaluation of sterling did not benefit the Executive Directors' bonus calculation although it cushioned the year for shareholders.

Remuneration outcomes

The Committee reviewed performance against the conditions set for the potential bonus opportunity in 2016. For the reasons set out above, for the financial reporting period, the CEO received 49 per cent and the FD 50 per cent of total potential bonus for the year, subject to clawback until 1 January 2019. The financial targets for the reporting period will be disclosed in next year's Remuneration Report.

Eighty-five per cent of the Computacenter Performance Share Plan (PSP) awards granted in March 2014, will vest in March 2017, and will be paid out to the Executive Directors. The financial conditions for the vesting of these awards relate to the growth in the Company's adjusted¹ earnings per share for the three financial years ended 31 December 2016. The base year for the awards is consistent with the adjusted¹ EPS used to determine vesting for the 2011 PSP awards, for which the payout was zero. Further details can be found on pages 83 to 84.

The year ahead

Having increased the basic salaries of the Executive Directors in 2016, the Committee has decided that the basic salary of the CEO and FD will remain unchanged for 2017.

In 2017, PSP awards will be granted to the Executive Directors under the terms of the scheme, as renewed in 2015. The performance conditions will remain unchanged from 2016. Further details on how our Directors' Remuneration Policy will be applied for the 2017 financial year are set out on pages 89 to 90.

Revisions to Remuneration Policy and shareholder engagement

During 2016 the Committee undertook a competitive exercise to appoint its external advisors. After meeting with potential suppliers, the Committee selected Deloitte LLP as its external advisors for an initial term of three years, to be reviewed annually. The Committee also received general advice from the Group HR Director as well as its advisors on the external trends in executive remuneration.

In the latter part of the year, the Committee sought feedback from the Group's major shareholders in respect of executive remuneration and the planned renewal of the Directors' Remuneration Policy. The revised Policy incorporates a number of minor revisions based on the input from its shareholders, external advisors and the Group HR Director, notably the introduction of a deferral period for annual bonuses and a two-year holding period for PSPs. The Committee is of the view that the proposed Policy set out on pages 76 to 81 promotes the attraction, motivation and retention of the executives required to successfully drive our strategy, and recommends its approval at the forthcoming AGM.

It has been the role of the Committee to ensure that the performance of the Group is reflected in the remuneration paid out to its Executive Directors. We hope that, having read this report, shareholders will be satisfied that we have performed this role appropriately and in line with their interests.

I welcome any comments that you may have on the contents of this report.

Philip Yea
Chairman of the Remuneration Committee

13 March 2017



COMPUTACENTER'S REMUNERATION POLICY REPORT

This section is the Group's Remuneration Policy ('Policy'), as reviewed and approved by its Remuneration Committee after consultation with major shareholders. As required, it complies with Schedule 8 of The Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

It is intended that the Policy will be put before shareholders for approval by way of a binding vote at the Company's AGM on 4 May 2017. If approved by shareholders, the Policy will have effect immediately thereafter. Prior to that date, the Company's existing remuneration policy will continue to apply.

In implementing the Policy, it should be noted that the Remuneration Committee considers pay and working conditions in the wider group, as is further outlined on page 79.

The Committee has made the following changes to the Remuneration Policy approved by shareholders at the 2014 AGM to ensure alignment with current best market practice and shareholder views:

- the introduction of deferral under the annual bonus;
- the introduction of a holding period under the PSP;
- a reduction in the overall maximum bonus opportunity from 200 per cent of salary to 150 per cent of salary; and
- an increase in the shareholding guideline for the FD from 100 per cent of salary to 200 per cent of salary.

Policy Table

Base salary	
Purpose and link to strategy	Supports the recruitment and retention of executives of the calibre required to deliver the Group's strategy.
Operation	<p>Base salaries are paid in cash and reflect an individual's responsibilities, performance, skills and experience.</p> <p>Normally reviewed annually with any changes effective on 1 January, taking into account the level of pay settlements across Computacenter Group, the performance of the business and general market conditions. Salary levels at other organisations of a similar size, complexity and business orientation will be reviewed for guidance.</p> <p>A review may not necessarily result in an increase in base salary.</p> <p>An exceptional review may take place to reflect a change in the scale or scope of a Director's role, for example: a major acquisition.</p> <p>Salary levels for the current Executive Directors for the 2017 financial year are:</p> <p>Group Chief Executive Officer: £525,000</p> <p>Group Finance Director: £340,000</p>
Maximum opportunity	<p>There is no prescribed maximum base salary or maximum annual increase. Ordinarily any salary increase will reflect our standard approach to increases for other employees in the Group. Higher increases may be considered in certain circumstances as required, for example, to reflect:</p> <ul style="list-style-type: none"> • an increase in scope of role or responsibility; • performance in role; or • an Executive Director being moved to appropriate market positioning over time.
Performance measures	Individual and business performance is taken into consideration when deciding salary levels.
Annual bonus	
Purpose and link to strategy	<p>To incentivise the delivery of annual, short-term, stretching financial and non-financial objectives.</p> <p>To align pay costs to affordability and the value delivered to shareholders.</p>
Operation	<p>Performance measures and targets are set at the beginning of each financial year. Performance is normally assessed over one financial year.</p> <p>For the bonus paid in respect of 2017 onwards 50 per cent will be paid in cash and 50 per cent will be deferred into Computacenter shares, with half the shares payable after one year and the remaining half after two years.</p> <p>Deferred awards will include the right to receive dividend equivalents.</p> <p>Malus and clawback provisions will apply, as set out in the notes to this table.</p> <p>The Committee has discretion to vary bonus payments downwards or upwards if it considers the outcome would not be a fair and complete reflection of the performance achieved by the Group and/or the Executive Director(s). To the extent that this discretion is exercised, this will be disclosed in the relevant Directors' Remuneration Report and may be the subject of shareholder consultation if deemed appropriate.</p>

Maximum opportunity	<p>The maximum annual bonus opportunity is 150 per cent of base salary.</p> <p>In 2017 the maximum bonus opportunity will be 125 per cent of salary for the CEO, Mike Norris and 100 per cent of salary for the FD, Tony Conophy.</p> <p>Increases above the current opportunities, up to the maximum limit may be made to take account of individual circumstances, which may include an increase in the size or scope of role or responsibility.</p>
Performance measures	<p>Financial measures will normally be used to calculate at least a majority of bonus achievement and the remainder of annual bonus will normally be attributed to non-financial measures.</p> <p>Financial measures may include profitability, cost management, cash management and other appropriate measures.</p> <p>Non-financial targets will be stretching targets set by the Committee linked to the delivery of our strategy and the Executive Directors' personal objectives for the year.</p> <p>Targets are reviewed and approved annually by the Committee to ensure that they are stretching and adequately reflect the strategic aims of the Group.</p> <p>The Committee determines the threshold and target payout levels each year taking into account the level of stretch in the targets set. The level of award which is payable for threshold performance will not normally exceed 40 per cent of the maximum opportunity.</p>
Performance Share Plan (PSP)	
Purpose and link to strategy	<p>To align the interests of Executive Directors and shareholders.</p> <p>To incentivise the achievement of longer-term profitability and returns to shareholders, and growth of earnings in a stable and sustainable manner.</p>
Operation	<p>Awards of nil-cost options (or equivalent) which are granted on a discretionary basis and will normally vest subject to performance and continued employment at the end of a performance period of at least three years.</p> <p>PSP shares will normally be subject to a two-year holding period following vesting. The shares held during the holding period will include the right to receive dividend equivalents.</p> <p>The Committee reviews the performance criteria, targets and weightings prior to each grant in line with business priorities to ensure they are challenging and fair.</p> <p>The Committee has discretion to vary the percentage of awards vesting downwards or upwards if it considers that the outcome would otherwise not be a fair and complete reflection of performance over the plan cycle.</p> <p>Awards are subject to a malus and clawback provision as set out in the notes to this table.</p>
Maximum opportunity	<p>The maximum opportunity under the plan is 200 per cent of annual base salary or 400 per cent of annual base salary in exceptional circumstances.</p> <p>The maximum face value of annual awards granted in 2017 will be 200 per cent of salary for the CEO and 175 per cent of salary for the FD.</p> <p>For achievement of a threshold performance level (which is the minimum level of performance that results in any part of an award vesting), no more than 25 per cent of the award will vest.</p>
Performance measures	<p>Earnings per share is currently the primary measure for our Performance Share Plan, but the Committee may exercise its discretion to introduce additional or alternative measures which are aligned to the delivery of the business strategy.</p> <p>Details of the performance conditions applied to awards granted in the year under review and to be granted in the forthcoming year are set out on pages 83 and 90.</p>

Retirement benefits	
Purpose and link to strategy	To provide an income for retirement.
Operation	<p>No special arrangements are made for Executive Directors who are entitled to become members of the Group's defined contribution pension scheme, which is open to all UK employees or the pension plan relevant to the country where they are employed if different.</p> <p>If the Executive Director so chooses, he/she may take some or all of the pension contribution as a cash alternative, which will be the same percentage of salary as the pension contribution foregone.</p>
Maximum opportunity	Pension contributions or allowances will not exceed 15 per cent of base salary.
Performance measures	N/A

Chairman and Non-Executive Director fees	
Purpose and link to strategy	To ensure that the Group is able to attract and retain experienced and skilled Non-Executive Directors.
Operation	<p>Fee levels are determined with reference to those paid by other companies of similar size and complexity and taking into account the scope of responsibilities and the amount of time that is expected to be devoted during the year. No individual is involved in the process of setting his/her own remuneration.</p> <p>Fee levels are normally reviewed every two years and are next due for review in 2018. They may also be increased on an ongoing or temporary basis to take into account changes in the working of the Board.</p> <p>The Chairman of the Board receives a fixed fee. Other Non-Executive Directors receive a basic fee and additional fees are payable for the Chairmanship of Board Committees and for the additional responsibility of being the Senior Independent Director. Fees are normally paid in cash.</p> <p>Travel expenses and hotel costs, including any tax due, are also paid where necessary.</p> <p>2017 fee levels for the incumbents are as follows: Non-Executive Chairman: £195,000 Non-Executive Director base fee: £50,000</p> <p>Supplementary fees: Senior Independent Director: £6,000 Audit Committee Chair: £16,000 Remuneration Committee Chair: £10,000</p>
Maximum opportunity	<p>Non-Executive Directors do not participate in any of the Group's incentive arrangements or share schemes and are not eligible for pension or other benefits.</p> <p>Maximum in line with the Company's Articles of Association.</p>
Performance measures	The Chairman of the Board will review individual contributions annually and every three years an independent Board Effectiveness review will be conducted.

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

Malus and clawback

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

Annual bonus

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

Performance Share Plan

Malus may apply prior to vesting in the event of:

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

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

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

Explanation of performance measures

The performance measures in respect of variable remuneration outlined within the Policy are based on a combination of financial and strategic measures, with an emphasis on the financial performance of the Group, and therefore to the value that the business delivers to its shareholders. The Company is committed to long-term earnings per share growth through increased profitability and prudent use of cash generation with a services-led strategy. This commitment is reflected in the measures used to motivate and incentivise our management team through the annual bonus and PSP.

The Committee reviews potential performance criteria and targets for the annual bonus and PSP annually, resulting in the performance criteria structure outlined in the Policy, and the measures for 2017 as outlined on pages 89 to 90.

Remuneration arrangements across the Group

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

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

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

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

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

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

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

Statement of consideration of shareholders' views

The Remuneration Committee takes very seriously the view of shareholders when making any changes to executive remuneration arrangements. It continues to welcome shareholders' views on executive remuneration.

The Group consulted with its major shareholders during the second half of the year on the proposed Remuneration Policy.

Approach to recruitment remuneration

When hiring a new Executive Director or promoting to the Board from within the Group, the Committee will offer a package that is sufficient to attract, retain and motivate the right talent, whilst at all times aiming to pay no more than is necessary. Each component will be subject to the limits as specified in the Policy table above.

In determining an appropriate remuneration package, the Committee will take into consideration all relevant factors including but not limited to the candidate's location, skills and experience, external market influences and internal pay relativities.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at below market level on the basis that it may progress towards the market level once expertise and performance has been proven and sustained.

In order to facilitate recruitment, the Committee may offer additional cash and/or share-based elements in respect of any incentive or deferred pay awards forfeited by an Executive Director as a result of terminating prior employment to join the Company, including by utilising Listing Rule 9.4.2 if necessary. The Committee would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of form of award, time horizons, value and performance conditions. For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue. For external and internal appointments, the Committee may agree that certain incidental expenses as appropriate will be met.

Where a newly appointed Executive Director is required to relocate, the Group may pay the costs of relocation including housing, travel, taxation advice, shipping costs and education for dependents. Additionally, any Executive Director based outside of the UK will be eligible to participate in insurance and other benefits in line with local practice.

Any awards made on recruitment will be subject to such clawback and malus provisions that the Remuneration Committee deems to be appropriate.

Service contracts

The Directors' service contracts and letters of appointment are available for inspection at our registered office during normal hours of business and will also be available at our AGM to be held on 4 May 2017.

Executive Directors

The current Executive Directors each have a service contract with the Company which provides for a notice period of up to 12 months from either party. It is intended that this policy would also apply to new appointments of Executive Directors.

With the consent of the Board, where an appointment can enhance an individual Executive Director's experience and add value to the Company, Executive Directors are able to accept non-executive appointments outside the Company. Retention of any fees received by the Executive Director is at the discretion of the Committee.

Non-Executive Directors

Non-Executive Directors are appointed pursuant to a letter of appointment for an initial period of three years which may be subject to renewal thereafter. Appointments may be terminated by either the Company or the Non-Executive Director giving three months' notice. Save in respect of retirement by rotation, a Non-Executive Director being removed from office may receive an amount equal to the fee during any remaining notice period.

Loss of office payments

We are committed to ensuring a consistent approach so that we do not pay more than is necessary in circumstances leading to loss of office. In the event of an early termination of a contract, the policy is to seek to minimise any liability. If an Executive Director's employment is terminated, any compensation arrangements will not normally be beyond those set out in their service contract and the rules of the relevant incentive plans.

When managing such situations the Committee takes a range of factors into account, including contractual obligations, shareholder interests, organisational stability and the need to ensure an effective handover.

In the normal course of events, an Executive Director will work their contractual notice period and receive usual salary payments and benefits during this time. In the event of a termination where Computacenter requests that the Executive Director ceases work immediately, a payment in lieu of notice may be made that is equal to fixed pay, pension entitlements and other benefits. Payments may be made on a phased basis. Alternatively, an Executive Director may be placed on garden leave for the duration of some or all of their notice period. Where an Executive Director leaves during a financial year, an annual bonus may be payable with respect to the period of the financial year worked although it will be prorated for time and paid at the normal payment date[s].

In the event of termination for cause (e.g. gross misconduct or negligence), neither notice nor a payment in lieu of notice would be given and the Executive Director would cease to perform services immediately.

Any share-based entitlements granted to an Executive Director under our share plans will be determined based on the relevant plan rules. The default treatment is that any unvested awards lapse on cessation of employment during the relevant performance or deferral period. However, in certain prescribed circumstances, such as ill-health, injury, disability, redundancy, retirement, sale of the employing company or business outside the Group or any other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on their normal vesting date, and for awards made under the PSP, be subject to the satisfaction of the relevant performance conditions at that time and reduced pro rata to reflect the proportion of the performance period actually served. The Committee may allow awards to vest at the time of cessation on the basis outlined above.

PSP awards which are subject only to the holding period following vesting will lapse in the event of cessation of employment for cause (e.g. gross misconduct or negligence).

In the event of the death of an Executive Director, awards vest at cessation with no performance assessment. In such circumstances, unless the Committee determines otherwise, awards will be reduced pro rata to reflect the proportion of the performance period actually served.

In the event of a takeover or winding-up of Computacenter which is not part of an internal reorganisation of the Group, awards may also vest to the extent determined by the Committee taking into account the period that has elapsed since the awards were granted, and the performance achieved by the Executive Director against any applicable performance targets. Early vesting may also be permitted in the event of a demerger or other transaction which in the Committee's opinion would affect the value of awards. Where the Executive Director participates in one or more of the Company's all-employee share schemes, awards may vest upon termination in accordance with applicable scheme rules.

As is consistent with market practice, we may pay a contribution towards an Executive Director's legal fees for entering into a statutory agreement and may pay a contribution towards fees for outplacement services or repatriation as part of a negotiated settlement.

There are no agreements currently in place between the Company and any of its Directors providing for additional compensation for loss of office or employment, other than as disclosed in this report.

In any event, the Committee will not sanction rewards for failure and will seek to mitigate any termination payments where possible.

Exceptions to the Policy

The Policy, as set out in this report, comprises the full suite of possible components for the remuneration of Directors at Computacenter.

Notwithstanding the restrictions laid out in the Policy, where the Company has made a commitment to a Director which:

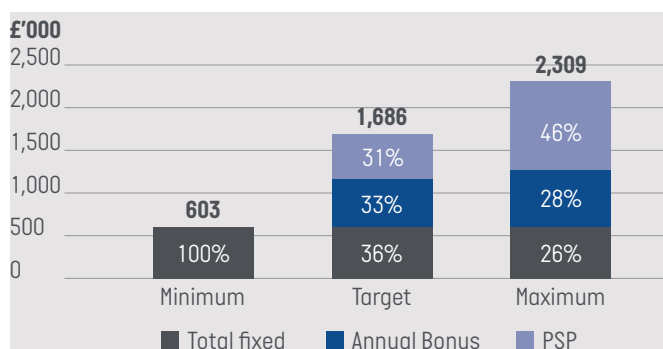
- was in accordance with the then prevailing remuneration policy at the time that the commitment was made; and/or
- was made before the Director became a Director; and/or
- was made before the rules on binding votes on remuneration policies came into effect,

the Company will continue to give effect to it, even if it is inconsistent with the Remuneration Policy of the Company which is in effect at that time.

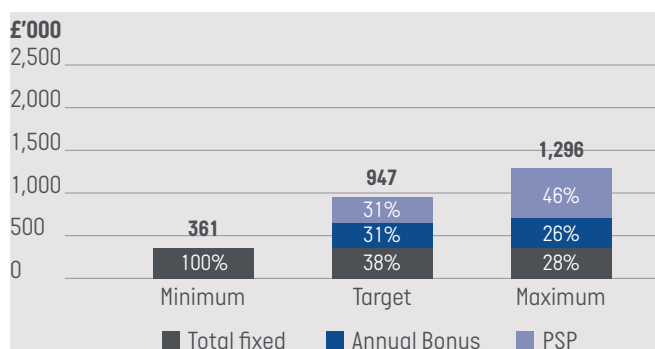
Earlier remuneration policies of the Company will continue to apply in relation to awards granted under any company PSP and options granted under the Company's all-employee Sharesave Scheme, prior to the approval of the Policy, as these may be granted under one policy and vest or be exercised under a later one. Details of these previous commitments are included within previous Computacenter Annual Reports at www.computacenter.com.

The Committee may make minor amendments to the Policy set out above for regulatory, exchange control, tax, or administrative purposes, or to take account of a change in legislation without obtaining shareholder approval for such amendments.

Group CEO – Mike Norris
Total Remuneration (£)



Group FD – Tony Conophy
Total Remuneration (£)



The charts above show the level of remuneration that is projected to be received by the Directors above in accordance with the Directors' Remuneration Policy in the year 2017. The charts above show three outcome scenarios: (a) Minimum receivable pay (b) In line with performance expectations, and (c) Maximum remuneration achievable.

In developing the scenarios, the following assumptions have been made:

Minimum pay receivable

- Only total fixed pay is received (i.e. base salary, benefits and pension), and there is no vesting of any of Computacenter's variable pay schemes;
- Benefits are those projected to be received by the Executive Director in 2017; and
- Pension is measured by applying a cash in lieu rate against salary in 2017.

On-target

This is based on what an Executive Director would receive if performance was in line with the Company's expectations, which would result in the following scenario:

- Fixed pay is received;
- Annual bonus pays out at 85 per cent of total potential bonus award for performance in line with expectations; and
- PSP award pays out at 50 per cent of maximum.

Maximum

This is based on what an Executive Director would receive assuming that the variable pay awards set out above pay out in full. (i.e. a bonus of 125 per cent of base salary and a PSP award with a face value of 200 per cent of base salary for the CEO; and a bonus of 100 per cent of base salary and a PSP award with a face value of 175 per cent of base salary for the FD).

It should be noted that, as required by the regulations, performance share plan awards are set out at face value, with no share price growth assumptions.

ANNUAL REMUNERATION REPORT

Responsibilities of the Remuneration Committee

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

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

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

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

Membership and attendance

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

Member	Role	Attendance record
Current Members		
1. Philip Yea (Chairman)	Senior Independent Director	4/4
2. Greg Lock	Non-Executive Chairman of the Board	4/4
3. Minnow Powell	Non-Executive Director	4/4
4. Regine Stachelhaus	Non-Executive Director	4/4
5. Ros Rivaz*	Non-Executive Director	0/0

* Ros Rivaz was appointed on 11 November 2016 after all 2016 Remuneration Committee meetings had taken place.

The CEO attends meetings by invitation, as does the Group HR Director and Group Head of Financial Reporting where financial information provided requires additional background or explanation to facilitate the considerations of the Committee. The Group Company Secretary is the secretary to the Committee.

The principal advisor to the Committee is Deloitte LLP [Deloitte], who was selected by the Committee in September 2016 by way of a tender process. Minnow Powell retains a beneficial interest in Deloitte and, as such, recused himself from all discussions relating to the appointment of Deloitte.

Advisors from 1 January to 31 August 2016 were Mercer Limited [Mercer]. The total fees paid by the Company to previous advisors Mercer in 2016 was £12,436 and the total fees paid to Deloitte in 2016 was £19,650. The Committee considers the advice that it receives from both Mercer and Deloitte to be independent. During the year, Deloitte also provided tax advice to the Company.

Deloitte is a founding member of the Remuneration Consultants Group and, as such, voluntarily adheres to its code of conduct.

The Committee considers comparative practice in the European technology sector, FTSE techMARK 100 companies and FTSE 250 companies. However, such market data is used by the Committee to inform, rather than drive, policy and decision making.

Audited information

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

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Single Figure of Total Remuneration

The total amount paid by the Company to each of the Directors, in respect of the financial years ending 31 December 2016 and 2015, is set out in the table below:

	Salary or fees £'000		Benefits £'000		Annual Bonus £'000		PSP Awards £'000		Pension £'000		Total £'000	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Executive												
Mike Norris	525.0	500.0	52.3 ¹	51.2 ¹	319.3	803.2	997.9 ³	1,384.5	19.2	25.0	1,913.7	2,763.9
Tony Conophy	340.0	325.0	–	16.5	170.4	551.7	567.5 ³	787.4	–	4.1	1,077.9	1,684.7
Non-Executive												
Greg Lock	195.0	170.0	–	–	–	–	–	–	–	–	195.0	170.0
Philip Hulme	50.0	45.0	–	–	–	–	–	–	–	–	50.0	45.0
Peter Ogden	50.0	45.0	–	–	–	–	–	–	–	–	50.0	45.0
Minnow Powell ⁴	66.0	55.5	–	–	–	–	–	–	–	–	66.0	55.5
Ros Rivaz ⁴	7.0	–	–	–	–	–	–	–	–	–	7.0	–
Regine Stachelhaus	50.0 ²	45.0 ²	–	–	–	–	–	–	–	–	50.0 ²	45.0 ²
Philip Yea ⁴	66.0	30.8	–	–	–	–	–	–	–	–	66.0	30.8
Total (£'000)	1,349.0	1,216.3	52.3	67.7	489.7	1,354.9	1,565.4	2,171.9	19.2	29.1	3,475.6	4,839.9

- Included within this benefits figure is the cost to the Company of providing a driver service for Mike Norris which he uses for business and personal use.
- Amount paid in euros.
- This relates to the 2014 PSP awards which will be paid out in March 2017 and had a performance period of 1 January 2014 to 31 December 2016. The relevant performance criteria was partially achieved and therefore 85.13 per cent of the award vested for each of the Executive Directors. This calculation is based upon the value of Computacenter plc shares at the end of the performance period being £8.00 on 30 December 2016.
- Ros Rivaz was appointed to the Board on 11 November 2016. Minnow Powell was appointed to the Board on 1 January 2015. Philip Yea was appointed to the Board on 23 June 2015.

Remuneration paid in 2016: Executive Directors
2016 base salary

The annual salaries of the Executive Directors were increased in 2016 by 5 per cent for the CEO and 4.6 per cent for the FD, following four consecutive years of nil increases (2012-2015) as previously disclosed.

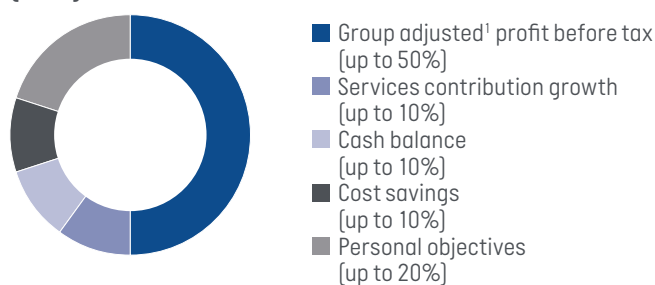
2016 annual bonus

The maximum bonus opportunity in 2016 was 123.8 per cent of base salary for the CEO and 100 per cent of base salary for the FD. The 2016 annual bonus is subject to clawback provisions for a period of two years from the end of the performance period, in the event that the Group misstates its financial results for the reporting period or in the event of misconduct by the Executive Director.

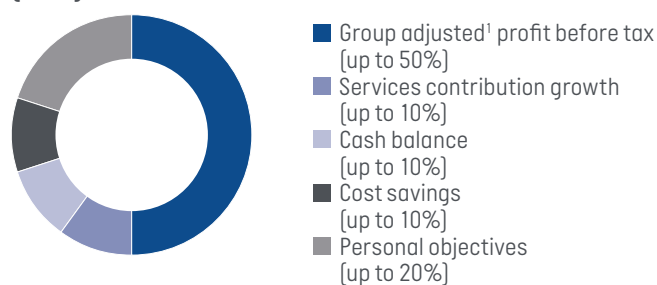
The 2016 annual bonus opportunity was driven by the financial performance of the business and individual targets for each Director. For the year ended 31 December 2016, 80 per cent of this award was conditional on the achievement of criteria linked to the financial performance of the Group. These targets were set by the Committee with reference to the Group's strategic and financial plans, as approved by the Board of Directors. Further detail on these can be found within the table on page 84 of this report. This approach is consistent with the Committee's view that variable pay for the Executive Directors should be primarily linked to the transparent and measurable delivery of value to the Company's shareholders. The non-financial personal objectives set for the Executive Directors were based principally on delivery against the Group's strategic objectives and certain governance-related objectives, including people development and succession planning. As is reported in more detail in the Performance Review from pages 32 to 33, the Group's performance is reflected in the level of annual bonus awards paid to the Executive Directors.

The annual bonus criteria applied for each of the Executive Directors during 2016, were as follows:

Mike Norris – CEO
(2016)



Tony Conophy – FD
(2016)



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The table below sets out details of performance against the FY 2016 Annual Bonus Targets:

Measure	As a percentage of Maximum Bonus Opportunity		Performance required						Actual % achieved		Payout (£m)	
	CEO	FD	Threshold		On-target		Maximum		CEO	FD	CEO	FD
Financial criteria												
Group Adjusted ¹ Profit Before Tax	50%	50%	12.5%	12.5%	40%	40%	50%	50%	13.15%	13.15%	85.5	44.7
Services Contribution Growth	10%	10%	5%	5%	10%	10%	10%	10%	7.14%	7.14%	46.4	24.3
Cash Balance	10%	10%	5%	5%	10%	10%	10%	10%	7.99%	7.99%	51.9	27.2
Cost Savings	10%	10%	5%	5%	10%	10%	10%	10%	8.84%	8.84%	57.5	30.0
Non-Financial criteria												
Personal Objectives	20%	20%	1%	1%	15%	15%	20%	20%	12%	13%	78.0	44.2
Total	100%	100%	28.5%	28.5%	85%	85%	100%	100%	49.12%	50.12%	319.3	170.4

The specific financial targets for the annual bonus in 2016 are still considered by the Committee to be commercially sensitive, although the Committee keeps this position under review and will disclose such targets as soon as they are deemed to no longer be so. As a result of this approach, the actual bonus targets for the 2015 full year are disclosed on page 85 of this report, and the Committee currently anticipates that the actual bonus targets for 2016 will be disclosed in the Group's 2017 Annual Report and Accounts.

PSP

During the year, there was a payout of 85.13 per cent of those awards granted to the Executive Directors, pursuant to the 2014 PSP Scheme as the relevant performance criteria threshold was partially achieved.

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

The compound annual growth rate of the Group's adjusted ¹ fully diluted earnings per share (EPS)	
Performance level*	Company EPS
Maximum (100 per cent vesting)	20%
In line with expectations (50 per cent vesting)	10%
Threshold (25 per cent vesting)	7.5%

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

The growth in adjusted¹ EPS during the period 1 January 2014 to 31 December 2016 was 17.03 per cent. The EPS number used for the base year of this award (i.e. EPS in 2013) is consistent with the EPS number that was used to calculate the vesting of the 2011-2013 PSP award to which a discretionary downwards adjustment was made to reflect a provision for certain onerous contracts. Accordingly, 85.13 per cent of the PSP awards granted to the Executive Directors will be paid out in March 2017.

Remuneration awards granted in 2016: Executive Directors

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Share scheme interests awarded during the year

The table below details awards made during 2016 under the PSP scheme. The face value of the awards has been calculated based on the closing share price for the trading day immediately prior to the award date. The performance conditions for these awards are set out in more detail directly below.

Scheme/Type of Award	Number of Shares	Face Value at time of grant	Performance Conditions Applied	Amount vesting related to Threshold of Performance		Performance Period Set
				Threshold Performance [% of face value]	Maximum Performance [% of face value]	
Group CEO PSP – nil cost option	118,305	£999,997 ¹	Compound growth of Company EPS (70%)	10%	100%	3 financial years from 1 January 2016
			Compound Growth of Services revenue (30%)	25%	100%	
Group FD PSP – nil cost option	67,286	£568,748 ¹	Compound growth of Company EPS (70%)	10%	100%	3 financial years from 1 January 2016
			Compound Growth of Services revenue (30%)	25%	100%	

1. This is based on the mid-market share price of Computacenter plc on 21 March 2016, being £8.45.

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

The compound annual growth rate of the Group's adjusted fully diluted earnings per share (EPS)	
Performance level ¹	Company EPS
Maximum	12.5%
In line with expectations	8.33%
Threshold	5%

The compound annual growth rate of the Group's Services Revenue (GSR)	
Performance level ¹	GSR
Maximum	7.5%
In line with expectations	5.5%
Threshold	3.5%

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

Retrospective disclosure: 2015 actual annual bonus targets

Set out below are the actual bonus targets set for the Executive Directors in respect of the 2015 financial year, which are no longer considered 'commercially sensitive' by the Committee.

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The table below sets out details of performance against the actual FY 2015 bonus targets:

Measure	As a percentage of Maximum Bonus Opportunity		Performance required						Actual % achieved		Payout (£)	
	CEO	FD	Threshold		On-target		Maximum		CEO	FD	CEO	FD
Financial criteria												
Group Adjusted ¹ Profit Before Tax (£m)	50%	50%	80.7		89.7		98.7		90.2 ³		218,075	109,038
Percentage Payout at Target			15%	15%	32.5%	32.5%	50%	50%	33.55%	33.55%		
Services Contribution Growth (£m)	15%	10%	196.6		218.5		218.5		218.1		96,590	32,208
Percentage Payout at Target			7.5%	5%	15%	10%	15%	10%	14.86%	9.91%		
Cash Balance (£m)	15%	10%	52.9		70.6		70.6		77.5		97,500	32,500
Percentage Payout at Target			7.5%	5%	15%	10%	15%	10%	15%	10%		
Cost Savings (£m)	-	10%	-		[84.1]		-		[83.8]		-	32,500
Percentage Payout at Target			-	10%	-	10%	-	10%	-	10%		
Non-Financial criteria												
Personal Objectives (out of 20)	20% ¹	20% ²	1	1	15	15	20	20	14	14	91,000	45,500
Total	100%	100%	31%	36%	77.5%	77.5%	100%	100%	77.41%	77.46%	503,165	251,745

- In respect of the Non-Financial Criteria for the CEO, these included Personal Objectives related to the following:
 - Proposing and implementing a plan which results in a significant improvement in the financial performance of Computacenter in France.
 - Developing clear successor plans for critical senior positions.
 - Making continued progress against objectives relating to diversity.
- In respect of the Non-Financial Criteria for the FD, these included Personal Objectives related to the following:
 - Reduce French debt position.
 - Help drive the centralisation agenda based on the successful model adopted in Hungary.
 - Continue to explore acquisition opportunities.
- Currency adjusted.

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Executive Director Outstanding Share Awards as at 31 December 2016
Directors' Interests in Share Plans (Audited)

	Scheme	Note	Exercise/ share price	Vesting period/ Exercise period	At 1 January 2015	Granted during the year	Exercised during the year	Lapsed	At 31 December 2015
Mike Norris	Sharesave*	1	524.0p	01/12/19-31/05/20	5,782	–	–	–	5,782
	PSP	2	Nil	22/03/16-21/03/23	227,273	–	162,500	64,773	–
	PSP	3	Nil	20/03/17-19/03/24	146,520	–	–	–	146,520
	PSP	4	Nil	26/03/18-25/03/25	138,889	–	–	–	138,889
	PSP	5	Nil	22/03/19-21/03/26	–	118,305	–	–	118,305
Tony Conophy	Sharesave*	1	343.0p	01/12/17-31/05/18	4,373	–	–	–	4,373
	PSP	2	Nil	22/03/16-21/03/23	129,261	–	92,422	36,839	–
	PSP	3	Nil	20/03/17-19/03/24	83,333	–	–	–	83,333
	PSP	4	Nil	26/03/18-25/03/25	78,993	–	–	–	78,993
	PSP	5	Nil	22/03/19-21/03/26	–	67,286	–	–	67,286

1. Issued under the terms of the Computacenter Sharesave Plus Scheme, which is available to employees and full-time Executive Directors of the Computacenter Group. Eligible employees can save between £5 and £500 a month to purchase options in shares in Computacenter plc at a price fixed at the beginning of the scheme term. There are no conditions relating to the performance of the Company for this scheme.
2. Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 13 May 2011. One-quarter of the shares will vest if the compound annual EPS growth over the performance period from 1 January 2013 to 31 December 2015 (the 'Performance Period') equals 7.5 per cent per annum. One-half of the shares will vest if the compound annual EPS growth over the Performance Period equals 10 per cent per annum. If the compound annual EPS growth rate over the Performance Period is between 7.5 per cent and 10 per cent over the Performance Period, shares awarded will vest on a straight-line basis up to one-half. Awarded shares will vest in full if the compound annual EPS growth equals or exceeds 20 per cent or more over the Performance Period.
3. Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 13 May 2011. One-quarter of the shares will vest if the compound annual EPS growth over the performance period from 1 January 2014 to 31 December 2016 (the 'Performance Period') equals 7.5 per cent per annum. One-half of the shares will vest if the compound annual EPS growth over the Performance Period equals 10 per cent per annum. If the compound annual EPS growth rate over the Performance Period is between 7.5 per cent and 10 per cent over the Performance Period, shares awarded will vest on a straight-line basis up to one-half. Awarded shares will vest in full if the compound annual EPS growth equals or exceeds 20 per cent or more over the Performance Period.
4. Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 13 May 2011.
 - (a) In respect of 70 per cent of the total award: 10 per cent of this portion of the award will vest if the compound annual EPS growth over the Performance Period equals 5 per cent per annum. If the compound annual EPS growth rate over the Performance Period is between 5 per cent and 8.33 per cent, this portion of the award will vest on a straight-line basis up to one-half. This portion of the award will vest in full if the compound annual EPS growth equals or exceeds 12.5 per cent per annum, with straight-line vesting between 50 per cent and 100 per cent.
 - (b) In respect of 30 per cent of the total award: the award will start to vest if the compound annual Services growth rate over the Performance Period equals 3.5 per cent. If the compound annual Services growth rate over the Performance Period is 7.5 per cent, this portion of the award will vest in full. If the compound annual Services growth rate over the period is between 3.5 per cent and 7.5 per cent, then this portion of the award will vest on a straight-line basis between 25 per cent and 100 per cent.
5. Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 13 May 2011.
 - (a) In respect of 70 per cent of the total award: 10 per cent of this portion of the award will vest if the compound annual EPS growth over the Performance Period equals 5 per cent per annum. If the compound annual EPS growth rate over the Performance Period is between 5 per cent and 8.33 per cent, this portion of the award will vest on a straight-line basis up to one-half. This portion of the award will vest in full if the compound annual EPS growth equals or exceeds 12.5 per cent per annum, with straight-line vesting between 50 per cent and 100 per cent.
 - (b) In respect of 30 per cent of the total award: the award will start to vest if the compound annual Services growth rate over the Performance Period equals 3.5 per cent. If the compound annual Services growth rate over the Performance Period is 7.5 per cent, this portion of the award will vest in full. If the compound annual Services growth rate over the period is between 3.5 per cent and 7.5 per cent, then this portion of the award will vest on a straight-line basis between 25 per cent and 100 per cent.

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

Director gains
PSP

Director	Date of vesting	Scheme	Number of shares	Exercise price	Market value at exercise	Gain made
Mike Norris	22/03/2016	PSP	162,500	Nil	£8.424	£1,368,989
Tony Conophy	22/03/2016	PSP	92,422	Nil	£8.424	£778,614

The closing market price of ordinary shares at 30 December 2016 (being the last trading day of 2016) was 800.00 pence.

The highest price during the year was 885.00 pence and the lowest was 666.45 pence.

Minimum shareholding requirements

In accordance with the Group's minimum shareholding guidelines, the CEO is required to build up a shareholding that is equal to 200 per cent of his/her gross salary. In respect of the Group Finance Director, the threshold that is expected to be achieved is 100 per cent of his/her gross salary. This will rise to 200 per cent in 2017. It is additionally expected that the Executive Director will achieve these levels within five years of appointment. For the purposes of these requirements, options which have vested unconditionally, but are as yet unexercised, will be included on a net basis, for the purposes of calculating shareholdings, as will shares held by an Executive's spouse or dependants. There is no requirement for the Non-Executive Directors of the Company to hold shares.

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Directors' shareholdings

The beneficial interest of each of the Directors in the shares of the Company, as at 31 December 2016, is as follows:

Current Directors	Number of shares in the Company as at 31 December 2016	Percentage of requirement achieved	Interests In shares		
			SAYE	PSP	Total
Mike Norris	1,142,157	870% ³	5,782 ¹	403,714 ²	1,551,653
Tony Conophy	1,786,915	2230% ³	4,373 ¹	229,612 ²	2,020,900
Greg Lock	600,000	n/a	–	–	600,000
Philip Hulme	10,867,582	n/a	–	–	10,867,582
Peter Ogden	27,994,474	n/a	–	–	27,994,474
Minnow Powell	1,340	n/a	–	–	1,340
Ros Rivaz	1,382	n/a	–	–	1,382
Regine Stachelhaus	–	n/a	–	–	–
Philip Yea	8,000	n/a	–	–	8,000

Note: There has been no grant of, or trading in, shares of the Company between 1 January 2017 and 13 March 2017.

1. There are no conditions relating to the performance of the Company or individual for the vesting of this scheme.
2. There are performance conditions for this scheme as set out below the table on page 90.
3. Based on the Company's closing share price as at 30 December 2016, being £8.00.

Dilution limits

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

Payments to past Directors and Payments for loss of office

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

Executive service contracts

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

Director	Start Date	Expiry Date	Unexpired Term	Notice Period (months)
Mike Norris	23/04/1998	n/a	None specified	12
Tony Conophy	23/04/1998	n/a	None specified	12

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

External appointments for Executive Directors

Executive Directors are permitted to hold outside directorships, subject to approval by the Chairman of the Board, and any such Executive Director is permitted to retain any fees paid for such services. During 2016, Mike Norris served as a Non-Executive Director of Triage Holdings Limited and received a fee of £8,000.

Non-Executive Directors' letters of appointment

The Non-Executive Directors have not entered into service contracts with the Company. They each operate under a letter of appointment which sets out their terms, duties and responsibilities. Non-Executive Directors are appointed for an initial term, which runs to the conclusion of the third AGM following their appointment, which may be renewed at that point for a further three-year term. The letters of appointment provide that should a Non-Executive Director not be re-elected at an AGM before he or she is due to retire, then his or her appointment will terminate. The Board has agreed that all Directors will be subject to re-election at the AGM on 4 May 2017, with the exception of Ros Rivaz, who will be subject to election for the first time at that meeting.

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

Director	Date of latest letter of appointment	Expiry Date	Notice Period
Greg Lock	13 May 2014	13 May 2017	3 months
Philip Hulme	4 May 2016	4 May 2019	3 months
Peter Ogden	4 May 2016	4 May 2019	3 months
Minnow Powell	1 January 2015	1 January 2018	3 months
Ros Rivaz	11 November 2016	11 November 2019	3 months
Regine Stachelhaus	4 May 2016	4 May 2019	3 months
Philip Yea	23 June 2015	23 June 2018	3 months

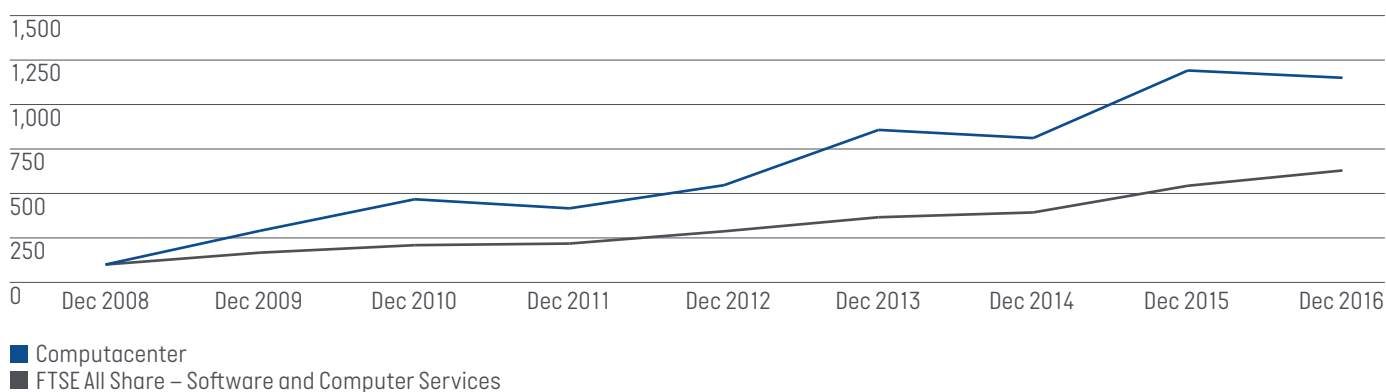
In 2017, the Chairman will be paid a single consolidated fee of £195,000. The Non-Executive Directors are paid a basic fee, plus additional fees for Chairmanship of Board Committees.

The annual rates of Non-Executive Directors' fees are shown in the table below. Non-Executive Directors fees are generally reviewed every two years and the next scheduled review will be in December 2017:

Position	2016 Annual Fees (£)	2017 Annual Fees (£)
Non-Executive Director	50,000	50,000
Additional fee for the Chairmanship of the Audit Committee	16,000	16,000
Additional fee for the Chairmanship of the Remuneration Committee	10,000	10,000
Additional fee for the position of Senior Independent Director	6,000	6,000

Performance of the Company

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



In this graph, TSR performance shows the value, in December 2016, of £100 invested in the Company's shares in December 2008, assuming that all dividends received between December 2008 and December 2016 were reinvested in the Company's shares.

CEO pay history

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

	2009	2010	2011	2012	2013	2014	2015	2016
CEO single figure of remuneration	1,407,034	1,910,675	1,878,675	1,085,300	937,300	1,506,300	2,763,900	1,913,700
Annual bonus payout (as a % of maximum opportunity)	87%	98.5%	63.7%	26.8%	61.2%	69.39%	84.54%	49.12%
Annual bonus	413,250	467,875	350,350	161,000	367,000	451,035	803,200	319,280
PSP vesting (as a % of maximum opportunity)	100%	100%	100%	58.5%	0%	35.34%	71.5%	85.13%
PSP vesting	489,235	938,201	997,351	385,355	–	478,679	1,384,500	997,860

Percentage change in remuneration of CEO and employees

The table below sets out the percentage change in the salary, benefits and annual bonus of the CEO compared to the average amount paid to Computacenter employees in the UK, between the year ended 31 December 2015 and 31 December 2016.

	Salary	Benefits	Annual bonus
CEO	5%	2.06%	-60.25%
Computacenter UK-based employees	2.45%	-12.29%	-5.68%

The comparator Group of Computacenter UK-based employees was chosen as the Committee believes it provides a sufficiently large comparator Group based on similar incentive structure to the CEO and reduces any distortion arising from currency and cost of living differences in other geographies in which the Group operates. As noted on page 83 the 2016 percentage change in salary for the CEO followed four consecutive years of nil increases as previously disclosed.

The year-on-year decrease in the benefits number for the UK-based employees is driven principally by a change in provider for certain benefits.

Relative importance of spend on pay

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

Expenditure on Group employees' pay



Shareholder distributions



Group adjusted¹ profit before tax^{**}



* Including Return of Capital.

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

Statement of implementation of remuneration policy in the following financial year

Executive Director Remuneration for 2017 will be in accordance with the terms of our Directors' Remuneration Policy table, as set out on pages 76 to 81 of this report.

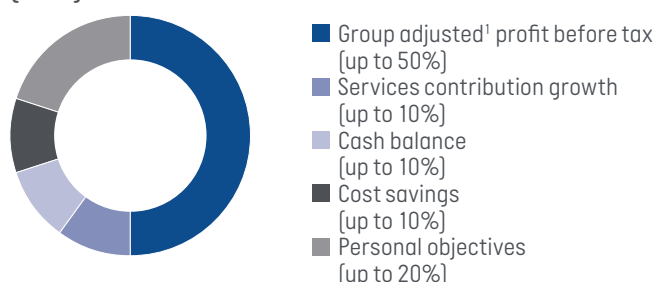
2017 base salaries

The base salary of the CEO and the FD will remain unchanged.

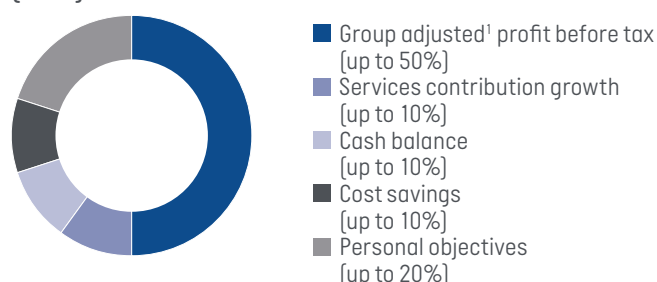
2017 annual bonus

The performance measures and weightings for the 2017 annual bonus will be as follows:

Mike Norris – CEO [2017]



Tony Conophy – FD [2017]



The measures for 2017 have been set to be challenging relative to our 2017 business plan. The targets themselves, as they relate to the 2017 financial year, are deemed by the Committee to be commercially sensitive and therefore have not been disclosed. They will be disclosed at such time as the Committee no longer deems them to be so, and it currently anticipates including these in the Company's 2017 Annual Report and Accounts.

The maximum bonus opportunity for the Executive Directors in 2017 will be 125 per cent of base salary for the CEO, and up to 100 per cent of base salary for the FD. These awards will be subject to deferral in line with our Policy on page 76.

2017 PSP

The award levels for the Executive Directors in the 2017 financial year are 200 per cent of salary for the CEO and 175 per cent of salary for the FD. The 2017 financial year PSP awards will be subject to the following performance conditions:

(a) In respect of 70 per cent of the total PSP award made to the Executive Directors in 2017:

	Below Threshold [0% vesting]	Threshold Vesting [10% vesting]	On-target [50% vesting]	Maximum [100% vesting]
Compound Annual Growth of Company Earnings per Share	< than 5%	5%	8.33%	12.5%

In respect of the growth of EPS, awards will vest on a straight line basis between these points. These targets will require management to deliver a strong, sustainable performance over the period.

(b) In respect of 30 per cent of the total PSP award made to the Executive Directors in 2017, these will be subject to targets based on growth of the Group's Services revenue over the three-year performance period. These targets are currently deemed to be commercially sensitive, but in accordance with the Company's approach in this area, these will be disclosed once they are no longer deemed to be so. The Committee currently anticipates that Services revenue targets for the 2017 PSP scheme will be disclosed in its 2017 Annual Report and Accounts. This achievement will be measured on a constant currency² basis.

Statement of voting at 2016 AGM

The results of voting on the Directors' Remuneration report at the Company's 2016 AGM are outlined in the table below:

Votes cast in favour/discretionary		Votes cast against		Total votes cast	Votes Withheld/abstentions
103,669,704	98.1%	2,000,742	1.9%	105,670,446	167,537

2014 Remuneration Policy

Resolution [No. as noted on proxy form]	Shares for		Shares against		Shares marked as votes/ Withheld Abstentions
Approve Directors' Remuneration Policy	124,308,201	99.8%	233,086	0.2%	155,593

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

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

Philip Yea
Chairman of the Remuneration Committee

13 March 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Annual Report from pages 1 to 91 was approved by the Board of Directors and authorised for issue on 13 March 2017 and signed for on behalf of the Board by:

Mike Norris
Chief Executive Officer

Tony Conophy
Group Finance Director

13 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPUTACENTER PLC ONLY

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1 Our opinion on the financial statements is unmodified

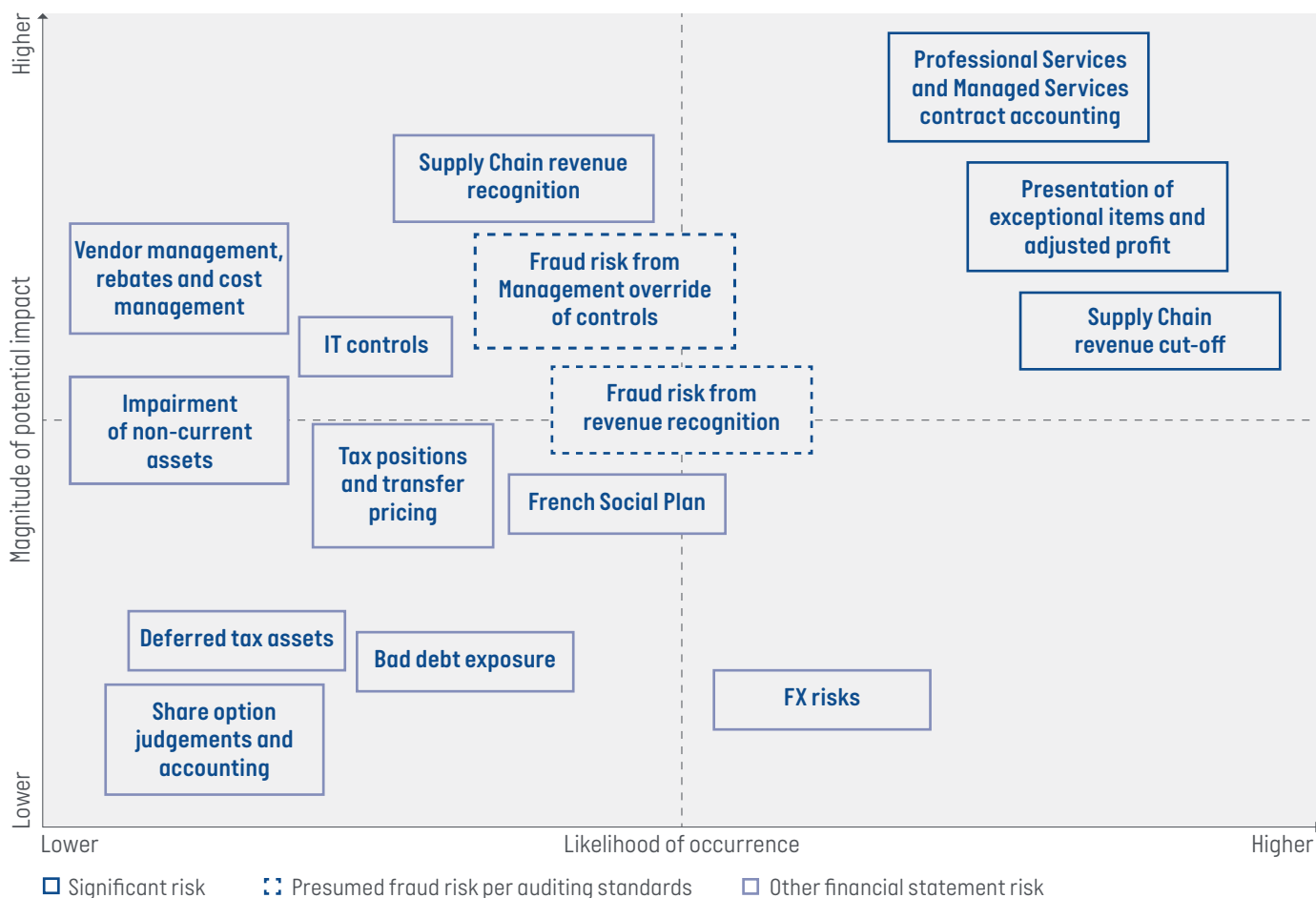
We have audited the financial statements of Computacenter plc for the year ended 31 December 2016 set out on pages 96 to 143. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

When planning our audit we made an assessment of the relative significance of the key risks of material misstatement to the Group financial statements initially without taking account of the effectiveness of controls implemented by the Group. As part of our audit planning procedures, we presented and discussed our initial assessment of key risks to the Audit Committee. This is shown in our risk map below and identified three key risks of material misstatement that were expected to have the greatest effect on our audit. Throughout our audit we continually reassess the significance of each of these key risks. We made no changes to the key risks initially reported to the Audit Committee.

We summarise below (i) the three key risks of material misstatement that had the greatest effect on our audit (in decreasing order of audit significance), (ii) our key audit procedures to address those risks and (iii) our findings from those procedures in order that the Group's members as a body may understand better the process by which we arrived at our audit opinion. Our findings are based on procedures undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and consequently are incidental to that opinion, and we do not express discrete opinions on separate elements of the financial statements.



Professional Services and Managed Services contract accounting £1,037.8 million (2015: £990.5 million) Risk vs 2015: ◀▶

Refer to page 68 (Audit Committee report), pages 101 to 109 (accounting policy) and pages 110 to 142 (financial disclosures).

- **The risk** – Revenue is based on the contract price allocated to the stage of completion, by reference to the proportion of costs to date to forecast full costs for certain contracts. Due to the complex nature of the contracted services which include both transition and transformation projects, there are risks that the costs of fulfilling the remaining service obligation could escalate. This uncertainty makes revenue recognition subjective. Furthermore, where cost forecasts are insufficiently certain, accounting standards limit the revenue; and where forecast costs exceed the balance of the contract price, provision for loss is required.
- **Our response** – Our procedures included detailed reviews of a sample of contracts selected based upon risk indicators such as contract complexity, margin changes compared to the prior period, relative magnitude of revenue or contribution recognised in the year, and loss-making contracts. For these contracts we inspected the detailed terms to identify the service obligations. We considered contract progress by inspecting customer sign off on acceptance of the deliverables and costs of that progress in comparison to the Group's original forecasts. This informed our view of contract risks. We then reviewed the cost forecasts by reference to the Group's forecasting record. This was completed through retrospective review of the accuracy of forecast revenue, costs and thus contribution for a sample of completed projects in the year. Future forecast costs including the risks and judgments within these forecasts were corroborated by obtaining evidence to support selected inputs. We also considered whether the stage of completion and degree of risk in each selected contract was such that the revenue ought to be limited in accordance with accounting standards. We also assessed the adequacy of the group's disclosure about estimation uncertainty regarding Managed and Professional Services revenue.
- **Our findings** – We found the resulting estimates of revenue to be mildly cautious, including after allowing for three audit differences that were each significantly below our materiality. We found the Group's disclosures to be proportionate in their description of the estimation uncertainty regarding Managed and Professional Services revenue.

Supply Chain revenue cut-off £2,207.6 million (2015: £2,063.9 million) Risk vs 2015: ◀▶

Refer to page 68 (Audit Committee report), pages 101 to 109 (accounting policy) and pages 110 to 142 (financial disclosures).

- **The risk** – Supply Chain revenue includes revenues from many different product groups each sold with varying terms and conditions that in turn impact the point in time at which all delivery obligations, and therefore the transfer of the risks and reward of ownership, have been fulfilled/ transferred, and hence revenue is recognised. Whilst there is little judgment required to identify the appropriate accounting policy for any individual contract, the number and variety of contracts give rise to some risk that an inappropriate policy is selected. A larger risk arises from the fact that a significant proportion of this revenue stream is delivered and recognised in the final month of the year, leading to significant scope for error in the application of the relevant principle.
- **Our response** – We tested automated sales matching controls that are designed to ensure that each Supply Chain revenue transaction is recognised in accordance with the Group accounting policies. A sample of transactions from before and after the year end were assessed for the application of the appropriate policy and agreed to supporting documentation, such as proof of delivery or signed buy and store agreements, in order to assess whether the policy had been correctly applied to recognise revenue in the current period or not as the case may be. We also tested a sample of credit notes raised subsequent to the year end and obtained the corresponding sales invoice and proof of delivery to assess whether Supply Chain revenue related to a valid sale and was recognised in the correct period.
- **Our findings** – Our testing identified non-compliance with a related control over the bill and hold process in respect to one customer. As a result we extended our procedures. In our tests of Supply Chain cut-off, we found no accounting errors.

Presentation of exceptional items and adjusted profit £1.4 million (2015: £41.1 million) Risk vs 2015: ◀▶

Refer to page 68 (Audit Committee report), pages 101 to 109 (accounting policy) and pages 110 to 142 (financial disclosures).

- **The risk** – The Group's measure of adjusted profit, in the income statement and throughout the Annual Report, is stated before: (1) £1.2 million (debit) of redundancy and other restructuring costs (2015: £1.5 million (charge)); (2) £nil in respect of the improvement in contract margins on certain onerous contracts (2015: £0.4 million (credit)); (3) £3.0 million (credit) on gain on reversal of fair value adjustments (2015: £nil); and (4) £0.5 million (charge) on exceptional (loss)/gain on disposal of a subsidiary (2015: £42.2 million (credit)). The directors believe that the separate identification of exceptional items and other adjusting items and the resultant presentation of alternative income statement measures can assist shareholders to obtain a more detailed and hence better understanding of the Group's performance. However, when improperly used and presented, these kinds of measures might prevent the Annual Report from being fair, balanced and understandable by focusing on only part of the performance. The determination of whether an item should be separately disclosed as an exceptional item or other adjustment requires judgment on its nature and incidence, as well as whether it provides clarity on the Group's underlying trading performance.
- **Our response** – Our procedures included evaluating the appropriateness of the Group's principles for identifying material or unusual items, by considering them against accounting standards for the separate identification of material items and the Financial Reporting Council guidance on the reporting of exceptional items. We then assessed the application of these principles by assessing whether the approach taken to identify exceptional items was consistent between gains and losses; assessing whether the same category of material items are treated consistently each year; assessing whether the tax effects of exceptional items are explained; by agreeing amounts incurred in the year to underlying documentation and supporting information; and by using our knowledge of the Group's transactions gained throughout the audit to consider the completeness of exceptional items.

We assessed the presentation of the adjusted measure, in particular whether the separate disclosure and related commentary of 'adjusted' profit throughout the Annual Report and accounts placed disproportionate emphasis on that component of performance; whether the Adopted IFRS and 'adjusted' financial information are reconciled with sufficient prominence given to that reconciliation; whether the basis of the 'underlying' financial information is clearly and accurately described; and whether the 'adjusted' financial information is not otherwise misleading.

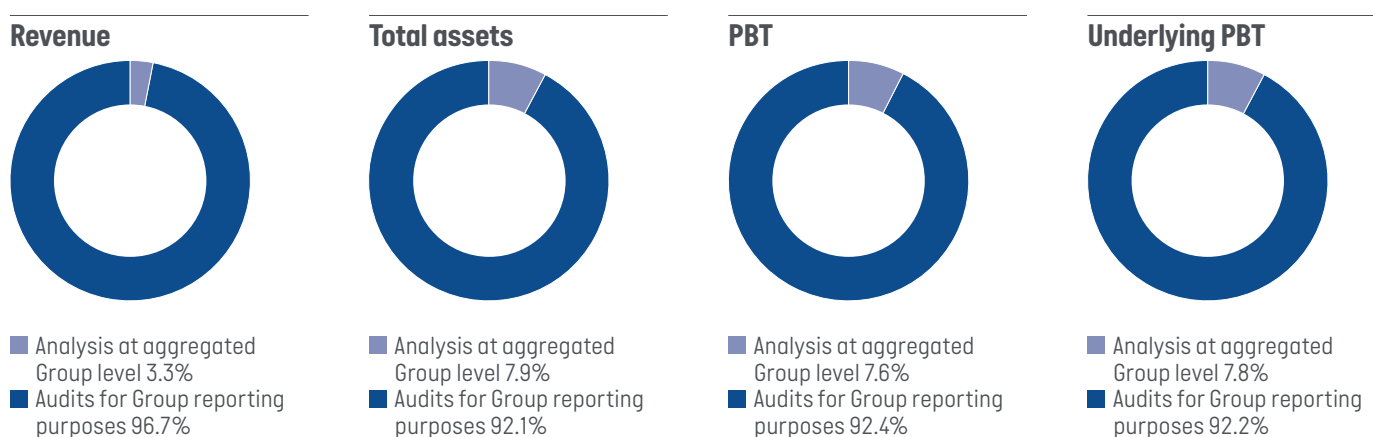
- **Our findings** – We found that the group's policies for exceptional items were balanced. We found that judgments of amounts falling within the policy were balanced. We found the presentation to be proportionate.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £4.0 million [2015: £4.0 million], determined with reference to a benchmark of group profit before taxation, normalised to exclude exceptional items defined on page 108 as presented separately in the Income Statement, of £1.4 million [2015: £41.1 million], of which it represents 4.6 per cent [2015: 4.7 per cent]. Our work on those separate items is described above.

We report to the audit committee any misstatements exceeding £0.1 million [2015: £0.1 million] apart from classification misstatements within the balance sheet or income statement where we report misstatements exceeding £0.5 million, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 15 [2015: 15] reporting components, we subjected three [2015: three] to audits for group reporting purposes which are situated in the UK, Germany and France. For the remaining components we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these. The components within the scope of our work accounted for the following percentages of the group's results.



The group operates a Shared Service Centre (SSC) in Budapest, Hungary, the outputs of which are included in the financial information of the three reporting components and therefore it is not a separate reporting component. Audit procedures were performed at the SSC which focus on the testing of trade receivables and trade payables transaction processing.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £2.0 million to £3.0 million [2015: £2.0 million to £3.0 million], having regard to the mix of size and risk profile of the Group across the components. The work on two of the three components was performed by component auditors and the rest by the Group audit team.

The Group audit team visited the two overseas component locations in France and Germany [2015: France and Germany in addition to the SSC in Hungary], including to assess the audit risk and strategy. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' viability statement on page 60, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the next three years to 2019; or
- the disclosure on page 66 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit Committee report on page 68 does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statements, set out on page 66, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 62 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

SCOPE AND RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on page 91, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Tudor Aw (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

13 March 2017

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED INCOME STATEMENT

	Note	2016 £'000	2015 £'000
Revenue	4	3,245,397	3,057,615
Cost of sales		(2,817,350)	(2,654,468)
Gross profit		428,047	403,147
Administrative expenses		(341,668)	(315,380)
Operating profit:			
Before amortisation of acquired intangibles and exceptional items		86,379	87,767
Amortisation of acquired intangibles		(710)	(1,553)
Exceptional items	6	1,876	(1,029)
Operating profit		87,545	85,185
Exceptional [loss]/gain on disposal of a subsidiary	6	(522)	42,155
Finance revenue	8	1,629	1,598
Finance costs	9	(1,579)	(2,171)
Profit before tax		87,073	126,767
Income tax expense:			
Before exceptional items		(23,108)	(23,605)
Exceptional items	6	(192)	(52)
Income tax expense	10	(23,300)	(23,657)
Profit for the year		63,773	103,110
Attributable to:			
Equity holders of the parent		63,773	103,110
Profit for the year		63,773	103,110
Earnings per share:			
– basic	11	52.9p	83.9p
– diluted	11	52.3p	82.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016 £'000	2015 £'000
Profit for the year	63,773	103,110
<i>Items that may be reclassified to consolidated income statement</i>		
Gain arising on cash flow hedge, net of amount transferred to consolidated income statement	5,353	1,191
Income tax effect	(879)	(244)
	4,474	947
Exchange differences on translation of foreign operations	29,374	(7,783)
	33,848	(6,836)
<i>Items not to be reclassified to consolidated income statement:</i>		
Remeasurement of defined benefit plan	(710)	24
Other comprehensive income for the year, net of tax	33,138	(6,812)
Total comprehensive income for the year	96,911	96,298
Attributable to:		
Equity holders of the parent	96,909	96,299
Non-controlling interests	2	(1)
	96,911	96,298

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

CONSOLIDATED BALANCE SHEET

	Note	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	13	63,020	57,132
Investment property	14	10,033	10,260
Intangible assets	15	76,285	81,533
Investment in associate	17a	55	40
Deferred income tax asset	10d	10,537	12,840
		159,930	161,805
Current assets			
Inventories	18	44,015	45,647
Trade and other receivables	19	740,371	621,756
Prepayments		58,959	44,735
Accrued income		80,554	61,785
Derivative financial instruments	26	8,127	2,220
Current asset investments	30	30,000	15,000
Cash and short-term deposits	20	118,676	111,770
		1,080,702	902,913
Total assets		1,240,632	1,064,718
Current liabilities			
Trade and other payables	21	679,538	581,855
Deferred income		102,112	93,861
Financial liabilities	22	2,352	4,279
Derivative financial instruments	26	273	922
Income tax payable		17,410	10,981
Provisions	25	3,075	4,050
		804,760	695,948
Non-current liabilities			
Financial liabilities	22	1,832	1,703
Provisions	25	5,732	5,094
Deferred income tax liabilities	10d	341	523
		7,905	7,320
Total liabilities		812,665	703,268
Net assets		427,967	361,450
Capital and reserves			
Issued share capital	28	9,299	9,297
Share premium	28	3,913	3,830
Capital redemption reserve	28	74,957	74,957
Own shares held	28	(12,115)	(10,571)
Translation and hedging reserves	28	22,685	(11,161)
Retained earnings		329,214	295,086
Shareholders' equity		427,953	361,438
Non-controlling interests		14	12
Total equity		427,967	361,450

Approved by the Board on 13 March 2017

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
	Issued share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Translation and hedging reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2016	9,297	3,830	74,957	(10,571)	(11,161)	295,086	361,438	12	361,450
Profit for the year	-	-	-	-	-	63,773	63,773	-	63,773
Other comprehensive income	-	-	-	-	33,846	(710)	33,136	2	33,138
Total comprehensive income	-	-	-	-	33,846	63,063	96,909	2	96,911
Cost of share-based payments	-	-	-	-	-	3,345	3,345	-	3,345
Tax on share-based payments	-	-	-	-	-	236	236	-	236
Exercise of options	-	-	-	7,449	-	(5,714)	1,735	-	1,735
Issue of shares	2	83	-	-	-	-	85	-	85
Purchase of own shares	-	-	-	(8,993)	-	-	(8,993)	-	(8,993)
Equity dividends	-	-	-	-	-	(26,802)	(26,802)	-	(26,802)
At 31 December 2016	9,299	3,913	74,957	(12,115)	22,685	329,214	427,953	14	427,967
At 1 January 2015	9,283	4,597	74,957	(10,760)	(4,326)	311,648	385,399	13	385,412
Profit for the year	-	-	-	-	-	103,110	103,110	-	103,110
Other comprehensive income	-	-	-	-	(6,835)	24	(6,811)	(1)	(6,812)
Total comprehensive income	-	-	-	-	(6,835)	103,134	96,299	(1)	96,298
Cost of share-based payments	-	-	-	-	-	4,670	4,670	-	4,670
Tax on share-based payments	-	-	-	-	-	1,659	1,659	-	1,659
Exercise of options	-	-	-	9,967	-	(4,635)	5,332	-	5,332
Return of Value (RoV)	-	-	-	-	-	(97,916)	(97,916)	-	(97,916)
Expenses on RoV	-	(753)	-	-	-	-	(753)	-	(753)
Issues of B shares relating to RoV	14	(14)	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	(9,778)	-	-	(9,778)	-	(9,778)
Equity dividends	-	-	-	-	-	(23,474)	(23,474)	-	(23,474)
At 31 December 2015	9,297	3,830	74,957	(10,571)	(11,161)	295,086	361,438	12	361,450

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED CASH FLOW STATEMENT

	Note	2016 £'000	2015 £'000
Operating activities			
Profit before tax		87,073	126,767
Net (income)/finance costs		(50)	573
Depreciation of property, plant and equipment	13	15,631	18,885
Depreciation of investment property	14	227	227
Amortisation of intangible assets	15	13,197	13,311
Share-based payments		3,345	4,670
Loss on disposal of property, plant and equipment		168	388
Loss on disposal of intangibles		25	9
Exceptional loss/(gain) from disposal of a subsidiary	17b	522	(42,155)
Net cash flow from inventories		7,185	(4,530)
Net cash flow from trade and other receivables		(73,980)	46,023
Net cash flow from trade and other payables		31,377	(43,073)
Net cash flow from provisions		(2,149)	(8,009)
Other adjustments		374	(137)
Cash generated from operations		82,945	112,949
Income taxes paid		(14,711)	(18,611)
Net cash flow from operating activities		68,234	94,338
Investing activities			
Interest received		1,629	1,598
Increase in current asset investments		(15,000)	(15,000)
Proceeds from disposal of a subsidiary, net of cash disposed of		(319)	56,145
Proceeds from disposal of property, plant and equipment		112	653
Purchases of property, plant and equipment	13	(17,641)	(13,303)
Purchases of intangible assets	15	(4,943)	(7,294)
Net cash flow from investing activities		(36,162)	22,799
Financing activities			
Interest paid		(1,579)	(2,171)
Dividends paid to equity shareholders of the parent	12	(26,802)	(23,474)
Return of Value		-	(97,916)
Expenses on Return of Value		-	(753)
Proceeds from share issues		1,820	5,332
Purchase of own shares		(8,993)	(9,778)
Repayment of capital element of finance leases		(2,679)	(3,223)
Repayment of loans		(1,101)	(1,713)
New borrowings		1,512	1,030
Net cash flow from financing activities		(37,822)	(132,666)
Decrease in cash and cash equivalents		(5,750)	(15,529)
Effect of exchange rates on cash and cash equivalents		12,746	(1,937)
Cash and cash equivalents at the beginning of the year	20	111,680	129,146
Cash and cash equivalents at the year end	20	118,676	111,680

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Consolidated Financial Statements of Computacenter plc (Parent Company or the Company) and its subsidiaries (the Group) for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 13 March 2017. The Consolidated Balance Sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's 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 2016 and applied in accordance with the Companies Act 2006.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these Consolidated Financial Statements are consistent with those followed in the preparation of the Consolidated Financial Statements for the year ended 31 December 2016, except for the adoption of new and amended IFRS that are applicable to the Group for the year ended 31 December 2016. Adoption of these standards did not have any effect on the financial performance or position of the Group. They may however give rise to additional disclosures.

The other pronouncements which came into force during the year were not relevant to the Group.

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in years beginning after 31 December 2016.

Effective for the year ending 31 December 2017

IAS 16 and IAS 38 Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation.

IAS 27 Amendments relating to Equity Method in Separate Financial Statements.

IFRS 10 and IAS 28 Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

IFRS 11 Amendments relating to Acquisitions of Interests in Joint Operations.

Effective for the year ending 31 December 2018

IFRS 15 Revenue from Contracts with Customers (IFRS 15).

IFRS 9 Financial Instruments – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.

Effective for the year ending 31 December 2019

IFRS 16 Leases.

Management's assessment of the impact and accepted best practice is ongoing. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts. With the exception of IFRS 15 and IFRS 16, it is not anticipated that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements.

Management is currently assessing the implication of IFRS 16 on the Group Financial Statements but has not yet formed a conclusion.

IFRS 15, Revenue from Contracts with Customers, becomes effective for the Group on 1 January 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method).

The Group is currently performing a detailed analysis of the impact of IFRS 15 on its business. The preliminary analysis has identified various areas in which adjustments may be required in revenue and cost recognition and in the related procedures and processes. The most significant of these is expected to be that some of our Supply Chain revenue, which has previously been presented gross, will be presented net under IFRS 15 as 'agency' revenue. This change is likely to impact our Software sales and certain Resold Services, which contributed £337 million and £298 million to the Group's gross revenue in 2016 respectively.

Additional areas of difference identified include:

- the method in which we recognise revenue over time on some of our Managed Services and Professional Services contracts may need to change, for example to utilise output-driven as opposed to input-driven methods to determine the amount of revenue to be recognised, or to recognise revenue upon achievement of certain performance milestones in the contracts;
- the identification and recognition of revenue for separate, distinct performance obligations in our Professional Services contracts may change, for example in areas such as Transition and Transformation; and
- certain costs, such as win fees (a form of commission), may need to be capitalised and spread over the life of the contract, as opposed to being expensed as incurred.

The impact of these items, individually or in aggregate, may be material to the revenue and profits in any given financial year, however there will be no impact on cash in any given financial year nor is there expected to be any ultimate long-term impact on the cumulative profits of the Group. The Group's IFRS 15 impact assessment and implementation work remains ongoing, alongside a quantification exercise which is expected to be finalised during the year ending 31 December 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1. Basis of preparation

The Consolidated Financial Statements are prepared on the historical cost basis other than derivative financial instruments, which are stated at fair value.

The Consolidated Financial Statements are presented in Pounds Sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

2.2. Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of Computacenter plc and its subsidiaries as at 31 December each year. The Financial Statements of subsidiaries are prepared for the same reporting year as the Parent Company, using existing GAAP in each country of operation. Adjustments are made on consolidation for differences that may exist between the respective local GAAPs and IFRS.

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

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the Consolidated Balance Sheet, separately from parent shareholders equity.

2.2.1. Foreign currency translation

The Group's presentation currency is Pounds Sterling (£). Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Consolidated Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

The functional currencies of the material overseas subsidiaries are Euro (€), US Dollar (US\$), South African Rand (ZAR) and Swiss Franc (CHF). As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the Balance Sheet date and their Income Statements are translated at the average exchange rates for the year. Exchange differences arising on the retranslation are recognised in the Consolidated Statement of Comprehensive Income. On disposal of a foreign entity, the deferred cumulative amount recognised in the Consolidated Statement of Comprehensive Income relating to that particular foreign operation is recognised in the Consolidated Income Statement.

2.3. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and rebates given to customers, VAT and other sales tax or duty. In contracts with customers, where more than one good (Supply Chain) or service (Professional Services or Managed Services) is provided to the customer, consideration is allocated between Supply Chain, Professional Services and Managed Services using relative fair value principal. The following specific recognition criteria must also be met before revenue is recognised:

2.3.1. Supply Chain

The Group supplies hardware and software (together as 'goods') to customers that is sourced from and delivered by a number of suppliers.

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

2.3.2. Professional Services

The Group provides skilled professionals to customers either on a 'resource on demand' basis where the revenue is billed on a timesheet basis, or operating within a project framework where revenue is recognised with reference to the costs incurred as a proportion of the total estimated costs (percentage of completion basis) of the contract. Unbilled revenue is recognised within accrued income. If the total estimated costs and revenues of a contract cannot be reliably estimated, revenue is recognised only to the extent that costs have been incurred. A provision is made as soon as a loss is foreseen.

2.3.3. Managed Services

The Group sells maintenance, support and management of customer's IT infrastructures and operations.

The Group identifies individual revenue generating activities or performance obligations within each contract and allocates revenue between them. This revenue is then assessed for recognition purposes based on the nature of the activity.

Managed Services revenue is recognised over the term of the contract as services are delivered. Unearned Managed Services revenue is included within deferred income in the Consolidated Balance Sheet. Amounts invoiced relating to more than one year are deferred and recognised over the relevant period. Where a contract contains several elements, the individual elements are accounted for separately where appropriate and revenue thereon is measured at the fair value of the consideration received. The related costs are recognised as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (transition and/or transformation costs) may be deferred when they are specific to a given contract and/or will generate future economic benefits, and are recoverable. These costs are allocated to work-in-progress and any reimbursement by the client is recorded as a deduction from the costs incurred.

On a limited number of Managed Services contracts revenue is recognised on a percentage of completion basis which is determined by reference to the costs incurred as a proportion of the total estimated costs of the contract (see note 3.1.1 for further detail). Unbilled revenue is recognised within accrued income. If a contract cannot be reliably estimated, revenue is restricted to the extent that it is probable that costs incurred will be recoverable.

2.3.4. Bid and set-up costs

The Group operates in a highly competitive environment and is frequently involved in contract bids with multiple competitors with the outcome usually unknown until the contract is awarded and signed.

Any bid costs incurred by the Group's Central Bid Management Engines are not capitalised or charged to the contract, but instead directly charged to selling, general and administrative expenses as they are incurred. These costs associated with bids are not separately identifiable nor can they be measured reliably as the Group's internal bid teams work across multiple bids at any one time. Further, it cannot be assessed as probable that the contract will be obtained until the tender process has completed and the contract has been awarded.

2.3.5. Finance income

Income is recognised as interest accrues.

2.3.6. Operating lease income

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

2.4. Exceptional items

The Group presents as exceptional items on the face of the Income Statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the year, so as to facilitate comparison with prior years and to assess better trends in financial performance.

2.5. Adjusted¹ measures

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, listed below, are important when assessing the underlying financial and operating performance of the Group.

These non-GAAP measures comprise of:

Adjusted revenue, adjusted Services revenue, adjusted Professional Services revenue, adjusted Supply Chain revenue, and adjusted administrative expenses excludes the revenue and administrative expenses from a disposed subsidiary, RDC, for the comparative reporting year. RDC was sold on 2 February 2015.

Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before; exceptional and other adjusting items including gain or loss on business disposals, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Each of these measures also excludes the results of RDC for the comparative periods.

Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale.

A reconciliation between key adjusted and statutory measures is provided on page 46 of the Group Finance Director's Review which details the impact of Exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS. Further detail is also provided within note 4, Segment Information.

2.6. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where an asset does not have independent cash flows, the recoverable amount is assessed for the CGU to which it belongs. Certain other corporate assets are unable to be allocated against specific CGUs. These assets are tested across an aggregation of CGUs that utilise the asset. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or CGU. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. As the Group has no assets carried at revalued amounts, such reversal is recognised in the Income Statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.7. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Freehold buildings: 25-50 years
- Short leasehold improvements: shorter of 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 and computer hardware: 2-15 years
- Motor vehicles: 3 years

Freehold land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Income Statement in the year the item is derecognised.

2.8. Leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

2.9. Investment property

Investment property is defined as land and/or buildings held by the Group to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in the supply of goods or services or for administrative purposes. The Group recognises any part of an owned (or leased under a finance lease) property that is leased to third parties as investment property, unless it represents an insignificant portion of the property.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, the Group elects to measure investment property at cost less accumulated depreciation and accumulated impairment losses, if any [i.e. applying the same accounting policies (including useful lives) as for property, plant and equipment]. The fair values, which reflect the market conditions as at the balance sheet date, are disclosed in note 14.

2.10. Intangible assets

Software and software licences

Software and software licences include computer software that is not integral to a related item of hardware. These assets are stated at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on a straight-line basis over the estimated useful life of the asset. Currently software is amortised over four years.

The carrying values of software and software licences are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.10.1. Software under development

Costs that are incurred and that can be specifically attributed to the development phase of management information systems for internal use are capitalised and amortised over their useful life, once the asset becomes available for use.

2.10.2. Other intangible assets

Intangible assets acquired as part of a business combination are carried initially at fair value. Following initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment in value. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives with charges included in administrative expenses as follows:

- Existing customer contracts: 5 years
- Existing customer relationships: 10 years
- Tools and technology: 7 years

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

2.10.3. Goodwill

Business combinations are accounted for under IFRS 3 Business Combinations using the acquisition method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Consolidated Balance Sheet as goodwill and is not amortised. Any goodwill arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related CGU monitored by Management, usually at business Segment level or statutory Company level as the case may be. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the Consolidated Income Statement.

2.11. Inventories

Inventories are carried at the lower of weighted average cost and net realisable value after making allowance for any obsolete or slow-moving items. Costs include those incurred in bringing each product to its present location and condition, on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.12. Financial assets

Financial assets are recognised at their fair value which initially equates to the consideration given plus directly attributable transaction costs associated with the investment.

The subsequent measurement of financial assets depends on their classification as described in each category below:

2.12.1. Trade and other receivables

Trade receivables, which generally have 30 to 90-day credit terms, are recognised and carried at their original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as being remote.

2.12.2. Current asset investments

Current asset investments comprise deposits held for a term of greater than three months from the date of deposit and which are not available to the Group on demand. Subsequent to initial measurement, current asset investments are measured at fair value.

2.12.3. Cash and cash equivalents

Cash and short-term deposits in the Consolidated Balance Sheet comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.13. Financial liabilities

Financial liabilities are initially recognised at their fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification as described in each category below:

2.13.1. Provisions (excluding Restructuring provision)

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Customer contract provisions

In respect of contracts where revenue is recognised on a percentage of completion basis, and where the performance of one of these limited number of contracts results in a margin that was less than anticipated at the time that it was agreed, then the future financial performance of that contract will be reviewed in detail. If, after further financial analysis, the full financial consequence of the contract can be reliably estimated, and it is determined that the contract is potentially loss-making, then the best estimate of the losses expected to be incurred until the end of the contract will be provided for.

The Group has elected to apply IAS 11 in its assessment of whether contracts are considered onerous and in subsequently estimating the provision as IAS 18 considers the requirements of IAS 11 are generally applicable to the recognition of revenue and the associated expenses for a transaction involving the rendering of services.

A contract that is accounted for under IAS 11 that is considered potentially onerous is assessed according to the recognition of expected losses in IAS 11 ahead of the onerous contract guidance in IAS 37 and considers total estimated costs (i.e. directly attributable variable costs and fixed allocated costs) as included in the assessment of whether the contract is onerous or not and in the measurement of the provision.

2.13.2. Restructuring provisions

The Group recognises a 'restructuring' provision when there is a programme planned and controlled by Management that changes materially the scope of the business or the manner in which it is conducted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Further to the Group's general provision recognition policy, a restructuring provision is only considered when the Group has a detailed formal plan for the restructuring identifying, as a minimum; the business or part of the business concerned; the principal locations affected; the location, function and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken and when the plan will be implemented.

The Group will only recognise a specific restructuring provision once a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Group only includes incremental costs associated directly with the restructuring within the restructuring provisions such as employee termination benefits and consulting fees. The Group specifically excludes from recognition in a restructuring provision any costs associated with ongoing activities such as the costs of training or relocating staff that are redeployed within the business rather than retrenched and costs for employees who continue to be employed in ongoing operations, regardless of the status of these operations post restructure.

2.13.3. Pensions and other post-employment benefits

The Group operates a defined contribution pension scheme available to all UK employees. Contributions are recognised as an expense in the Income Statement as they become payable in accordance with the rules of the scheme. There are no material pension schemes within the Group's overseas operations.

The Group has an obligation to make a one-off payment to French employees upon retirement, the Indemnités de Fin de Carrière (IFC).

French employment law requires that a company pays employees a one-time contribution when (and only when) the employee leaves the Company for retirement at the mandatory age. This is a legal requirement for all businesses who incur the obligation upon departure, due to retirement, of an employee.

Typically the retirement benefit is based on length of service of the employee and his or her salary at retirement. The amount is set via a legal minimum but the retirement premiums can be improved by the collective agreement or employment contract in some cases. In Computacenter France, the payment is based on accrued service and ranges from 1 month of salary after 5 years of service to 9.4 months of salary after 47 years of service.

If the employee leaves voluntarily at any point before retirement, all liability is extinguished and any accrued service is not transferred to any new employment.

Management continues to account for this obligation according to IAS 19 [revised]. Due to the materiality of the obligation, Management considers no further disclosures are relevant at this time.

2.14. Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

2.15. Derivative financial instruments and hedge accounting

The Group uses foreign currency forward contracts to hedge its foreign currency risks associated with foreign currency fluctuations affecting cash flows from forecasted transactions and unrecognised firm commitments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are addressed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting years for which they are designated.

Forward contracts are initially recognised at fair value on the date that the contract is entered into and are subsequently remeasured at fair value at each reporting date. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Forward contracts are recorded as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

Cash flow hedges that meet the strict criteria for hedge accounting are accounted for as follows: the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement in administrative expenses.

Amounts recognised within other comprehensive income are transferred to the Income Statement, within administrative expenses, when the hedged transaction affects the Income Statement, such as when the hedged financial expense is recognised.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Income Statement within administrative expenses. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised within other comprehensive income remains within other comprehensive income until after the forecast transaction or firm commitment affects the Income Statement.

Any other gains or losses arising from changes in fair value on forward contracts are taken directly to administrative expenses in the Income Statement.

2.16. Taxation

2.16.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2.16.2. Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, carried forward tax credits or tax losses, can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to the statement of comprehensive income if it relates to items that are credited or charged to the statement of comprehensive income. Otherwise, income tax is recognised in the Income Statement.

2.17. Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model, further details of which are given in note 29. In valuing equity settled transactions, no account is taken of any performance conditions as none of the conditions set are market-related 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share [see note 11].

The Group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity [see note 28].

2.18. Fair value measurement

The Group measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 26.

2.19. Own shares held

Computacenter plc shares held by the Group are classified in shareholders' equity as 'own shares held' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements requires Management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

During the year, Management set aside time to consider the critical accounting estimates and judgements for the Group. This process included reviewing the last reporting period's disclosures and the current period's challenging accounting issues. Where Management deemed an area of accounting to be no longer a critical estimate or judgement, an explanation for this decision is found in the relevant accounting note to the Consolidated Financial Statements.

3.1. Critical estimates

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1.1. Services revenue recognition

The Group accounted for certain Services contracts using the percentage of completion method, recognising revenue by reference to the stage of completion of the contract which is determined by actual costs incurred as a proportion of total forecast contract costs. This method places considerable importance on accurate estimates of the extent of progress towards completion of the contract and may involve estimates on the scope of services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical risks, and other assumptions. Under the percentage of completion method, the changes in these estimates and assumptions may lead to an increase or decrease in revenue recognised at the balance sheet date with the in-year revenue recognition appropriately adjusted as required. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

The key judgements are the extent to which revenue should be recognised and also, where total contract costs are not covered by total contract revenue, the extent to which an adjustment is required.

Additionally, where contracts are renegotiated mid-life, Management will consider when to make a revenue adjustment. A major contract was under renegotiation at year end with the terms largely agreed but not yet signed. Shortly after the balance sheet date, an agreement was signed including settlement of outstanding revenue claims relating to the second half of 2016. This additional information resulted in an update to the original revenue estimate with an adjustment of £1.7 million made to increase 2016 revenue and margins.

During the year, Management held a number of 'difficult' contracts under review that were considered to be performing below expectation. The number of contracts under review fluctuated during the year between eight and 12. Each contract was subject to a detailed review to consider the reasons behind the lower than anticipated performance and the potential accounting impacts related effect on revenue recognition estimates.

For a limited number of these 'difficult' contracts, where there was no immediate operational or commercial remedy for the performance, a range of possible outcomes for the estimate of the total contract costs and total contract revenues was considered to determine the best estimate of stage of completion.

The gross revenue recognised in the year from these contracts under review was approximately £10.4 million. The range of potential scenarios considered by management in respect of these specific contracts included a reduction in revenue, and margins, recognised in 2016 of £4.1 million, in the year. Also, based on Management's best estimate, the total cost to complete on these contracts were £26.6 million.

3.2. Critical judgements

Judgements made by Management in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Financial Statements, are as follows:

3.2.1. Exceptional items

Exceptional items remain a core focus of Management with the recent Alternative Performance Measure regulations providing further guidance in this area.

Management is required to exercise its judgement in the classification of certain items as exceptional and outside of the Group's adjusted¹ results. The overall goal of Management is to present the Group's underlying performance without distortion from one-off or non-trading events regardless of whether they be favourable or unfavourable to the underlying result.

To achieve this, Management have considered the materiality, infrequency and nature of the various items classified as exceptional this year against the requirements and guidance provided by IAS 1, our Group accounting policies and the recent regulatory interpretations and guidance.

In reaching their conclusions, Management consider not only the effect on the overall underlying Group performance but also where an item is critical in understanding the performance of one of its component Segments which is of relevance to investors and analysts when assessing the Group result and its future prospects as a whole.

Further details of the individual exceptional items, and the reasons for their disclosure treatment, are set out in note 6.

3.3. Change in critical estimates and critical judgements

During the year, Management reassessed the critical estimates and critical judgements and resolved that the following were no longer considered critical.

3.3.1. Critical estimates

Provisions

The Group's provisions principally relate to obligations arising from onerous lease property provisions, customer contract provisions, restructuring provisions and retirement benefit obligations.

Management has considered each element that makes up the total provision balance as at the year end and decided that assumptions used to estimate these elements of provisions were not sensitive enough to change the provision balance materially hence provisions are no longer considered a critical estimate.

Further details of the specific estimates used in arriving at these provisions are provided in note 25.

Providing for doubtful debts

The level of provision for doubtful debts has decreased significantly from previous years and hence is no longer a critical estimate as the range of possible outcomes resulting from various assumptions applied by management are now not considered material. This was previously considered a critical estimate due to the higher than normal trade receivables balances in our French Segment at 31 December 2014.

3.3.2. Critical judgements

Asset held for sale

At the time of approving the 2014 year end Annual Report and Accounts, Management made a judgement in deciding that the sale of its subsidiary, RDC, should not be accounted for as an asset held for sale under the Group's relevant accounting policy disclosed at the time. However, the Group did not carry any assets classified as 'held for sale' or have any 'discontinued operations' as at 31 December 2016 therefore this is no longer considered an area of critical judgement by Management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

4 SEGMENT INFORMATION

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

No operating Segments have been aggregated to form the below reportable operating Segments.

Management monitors the operating results of its geographical Segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted¹ operating profit or loss which is measured differently from statutory operating profit or loss in the Consolidated Financial Statements as defined above.

Segmental performance for the years ended 31 December 2016 and 2015 was as follows:

Year ended 31 December 2016

	UK £'000	Germany £'000	France £'000	Belgium £'000	Total £'000
Revenue					
Adjusted¹ Supply Chain revenue	899,822	934,214	335,612	37,907	2,207,555
Adjusted¹ Services revenue					
Adjusted ¹ Professional Services revenue	118,636	138,218	15,470	1,868	274,192
Managed Services revenue	373,292	319,744	53,627	16,987	763,650
Total adjusted ¹ Services revenue	491,928	457,962	69,097	18,855	1,037,842
Total adjusted¹ revenue	1,391,750	1,392,176	404,709	56,762	3,245,397
RDC					
Supply Chain revenue	-	-	-	-	-
Professional Services revenue	-	-	-	-	-
Total RDC revenue	-	-	-	-	-
Statutory revenue	1,391,750	1,392,176	404,709	56,762	3,245,397
Results					
Adjusted ¹ gross profit	202,556	175,273	42,520	7,479	427,828
Adjusted ¹ administrative expenses	(155,812)	(139,683)	(39,649)	(6,524)	(341,668)
Adjusted ¹ operating profit	46,744	35,590	2,871	955	86,160
Adjusted ¹ net interest	717	(212)	(208)	(28)	269
Adjusted ¹ profit before tax	47,461	35,378	2,663	927	86,429
Exceptional items:					
- onerous contracts trading losses	-	-	-	-	-
- onerous contracts provision for future losses	-	-	-	-	-
- exceptional losses on redundancy and other restructuring costs	-	-	(1,169)	-	(1,169)
- gain on reversal of fair value adjustments	-	3,045	-	-	3,045
Total exceptional items	-	3,045	(1,169)	-	1,876
Exceptional loss on disposal of a subsidiary	(522)	-	-	-	(522)
Amortisation of acquired intangibles	-	(627)	-	(83)	(710)
RDC	-	-	-	-	-
Statutory profit before tax	46,939	37,796	1,494	844	87,073

The reconciliation for adjusted¹ operating profit to statutory operating profit as disclosed in the Consolidated Income Statement is as follows:

	UK £'000	Germany £'000	France £'000	Belgium £'000	Total £'000
Adjusted¹ operating profit	46,744	35,590	2,871	955	86,160
Add-back interest on CSF	9	210	–	–	219
Amortisation of acquired intangibles	–	(627)	–	(83)	(710)
Exceptional items	–	3,045	(1,169)	–	1,876
RDC	–	–	–	–	–
Statutory operating profit	46,753	38,218	1,702	872	87,545
Other segment information					
Property, plant and equipment	39,636	14,825	6,830	1,729	63,020
Investment property	10,033	–	–	–	10,033
Intangible assets	54,817	19,416	39	2,013	76,285
Capital expenditure:					
Property, plant and equipment	12,076	5,026	501	38	17,641
Software	3,179	1,754	9	1	4,943
Depreciation and amortisation:					
Depreciation of property, plant and equipment	6,966	6,681	1,820	164	15,631
Depreciation of investment property	227	–	–	–	227
Amortisation of software	11,536	846	29	2	12,413
Share-based payments	2,702	607	36	–	3,345

4 SEGMENT INFORMATION CONTINUED

Year ended 31 December 2015

	UK £'000	Germany £'000	France £'000	Belgium £'000	Total £'000
Revenue					
Adjusted¹ Supply Chain revenue	875,041	820,196	335,024	33,686	2,063,947
Adjusted¹ Services revenue					
Adjusted ¹ Professional Services revenue	137,390	107,416	16,101	1,645	262,552
Managed Services revenue	394,943	272,006	46,934	13,785	727,668
Total adjusted ¹ Services revenue	532,333	379,422	63,035	15,430	990,220
Total adjusted¹ revenue	1,407,374	1,199,618	398,059	49,116	3,054,167
RDC					
Supply Chain revenue	3,158	–	–	–	3,158
Professional Services revenue	290	–	–	–	290
Total RDC revenue	3,448	–	–	–	3,448
Statutory Supply Chain revenue	878,199	820,196	335,024	33,686	2,067,105
Statutory Services revenue					
Statutory Professional Services revenue	137,680	107,416	16,101	1,645	262,842
Statutory Managed Services revenue	394,943	272,006	46,934	13,785	727,668
Total statutory Services revenue	532,623	379,422	63,035	15,430	990,510
Statutory revenue	1,410,822	1,199,618	398,059	49,116	3,057,615
Results					
Adjusted ¹ gross profit	216,445	147,346	32,083	6,258	402,132
Adjusted ¹ administrative expenses	(157,110)	(119,937)	(33,715)	(4,263)	(315,025)
Adjusted ¹ operating profit/(loss)	59,335	27,409	(1,632)	1,995	87,107
Adjusted ¹ net interest	601	(577)	(178)	(79)	(233)
Adjusted ¹ profit/(loss) before tax	59,936	26,832	(1,810)	1,916	86,874
Exceptional items:					
– onerous contracts trading losses	–	(1,123)	–	–	(1,123)
– onerous contracts provision for future losses	–	1,559	–	–	1,559
– exceptional losses on redundancy and other restructuring costs	–	–	(1,465)	–	(1,465)
Total exceptional items	–	436	(1,465)	–	(1,029)
Exceptional gain on disposal of a subsidiary	42,155	–	–	–	42,155
Amortisation of acquired intangibles	(361)	(1,116)	–	(76)	(1,553)
RDC	320	–	–	–	320
Statutory profit/(loss) before tax	102,050	26,152	(3,275)	1,840	126,767

The reconciliation for adjusted¹ operating profit to statutory operating profit as disclosed in the Consolidated Income Statement is as follows:

	UK £'000	Germany £'000	France £'000	Belgium £'000	Total £'000
Adjusted¹ operating profit/(loss)	59,335	27,409	(1,632)	1,995	87,107
Add-back interest on CSF	56	284	–	–	340
Amortisation of acquired intangibles	(361)	(1,116)	–	(76)	(1,553)
Exceptional items	–	436	(1,465)	–	(1,029)
RDC	320	–	–	–	320
Statutory operating profit/(loss)	59,350	27,013	(3,097)	1,919	85,185
Other segment information					
Property, plant and equipment	34,037	14,286	7,210	1,599	57,132
Investment property	10,260	–	–	–	10,260
Intangible assets	63,173	16,520	56	1,784	81,533
Capital expenditure:					
Property, plant and equipment	5,904	5,224	1,307	868	13,303
Software	6,052	1,186	50	6	7,294
Depreciation of property, plant and equipment	10,667	6,121	1,687	410	18,885
Depreciation of investment property	227	–	–	–	227
Amortisation of software	11,059	635	59	5	11,758
Share-based payments	4,095	542	33	–	4,670

Information about major customers

Included in revenues arising from the UK Segment are revenues of approximately £271 million (2015: £281 million) which arose from sales to the Group's largest customer. For the purposes of this disclosure a single customer is considered to be a group of entities known to be under common control. This customer consists of entities under control of the UK Government.

5 GROUP OPERATING PROFIT

This is stated after charging/(crediting):

	2016 £'000	2015 £'000
Auditor's remuneration:		
– Audit of the Financial Statements	44	43
– Audit of subsidiaries	493	428
Total audit fees	537	471
Audit related assurance services	56	67
Taxation compliance services	29	44
Other assurance services	9	54
Taxation advisory services	144	124
Total non-audit services	238	289
Total fees	775	760
Depreciation of property, plant and equipment	15,631	18,885
Loss on disposal of property, plant and equipment	168	387
Depreciation of investment property	227	227
Amortisation of software	12,413	11,758
Loss on disposal of software	25	9
Amortisation of other intangible assets	784	1,553
Net foreign currency differences	847	741
Costs of inventories recognised as an expense	1,973,490	1,850,619
Operating lease payments	26,942	32,221

6 EXCEPTIONAL ITEMS

	2016 £'000	2015 £'000
Operating profit		
Redundancy and other restructuring costs	(1,169)	(1,465)
Onerous contracts	–	436
Gain on reversal of fair value adjustments	3,045	–
	1,876	(1,029)
Exceptional (loss)/gain on disposal of a subsidiary	(522)	42,155
Exceptional items before taxation	1,354	41,126
Income tax		
Tax on onerous contracts included in operating profit	–	(52)
Tax on gain on reversal of fair value adjustments	(192)	–
Exceptional items after taxation	1,162	41,074

2016: Included within the current year are the following exceptional items:

- As outlined in our 2016 Interim Report, a Line of Business restructure was agreed with the business in France. This initiative to reduce the underutilised resources within our Professional Services arm completed in the second half of 2016, for a cost of £1.0 million. This restructure has seen France exit the direct provision of Group Field Maintenance Services. This Line of Business had materially decreased over time, leading to significant resourcing overcapacity. Any residual customer requirement will be sub-contracted to an existing third party provider. Additionally, as also detailed in the 2016 Interim Report, further provisioning to the existing 2014 Social Plan in France of £0.1 million was also required during the period.
- The most significant item within exceptional items during 2016 was the £3.0 million release of historical fair value adjustments made on the 2009 acquisition of becom Informationssysteme GmbH [becom]. This followed the final payment of the contingent consideration to the vendor during 2016. Due to the materiality and nature of the item, Management decided to classify this one-off gain as exceptional.
- During the third quarter, a Group subsidiary domiciled in Luxembourg, Computacenter PSF SA, was disposed of for a net loss of £0.5 million. As the principal item in the year to 31 December 2015 was the gain on the disposal of a Group subsidiary, R.D. Trading Limited (RDC), of £42.2 million, the current year loss on disposal activity has also been classified as exceptional.

2015: Included within the prior year are the following exceptional items:

- Computacenter (UK) Limited disposed of its wholly-owned subsidiary RDC during the year. An exceptional gain of £42.2 million was recognised on the disposal. In line with our accounting policy, Management has elected under IAS 1 to report this gain as a separate line item on the face of the Consolidated Income Statement due to the materiality, infrequency and nature of this gain. As noted within the summary of significant accounting policies the adjusted¹ results exclude this gain. This election provides the best guidance to users of our external reporting as to the underlying profitability trends within the Group and to present the results of the Group in a way that is fair, balanced and understandable.
- Computacenter France continued with its substantial restructuring exercise that began in 2014. An additional cost of £1.5 million has been recognised as part of the Social Plan. As the redundancy and restructuring costs were treated as an exceptional item on recognition, the further provision has also been treated as an exceptional item. Within this balance, Management has provided for legal expenses of £0.4 million directly related to individual legal challenges to termination settlements provided under the Social Plan.
- The Group's remaining two onerous contracts continue to show operational improvements therefore Management has revised its estimates of the losses to be incurred. On this basis, the Group has released £0.4 million of the provision. As the onerous contracts were treated as an exceptional item on recognition, the write-back of the provision has also been released as an exceptional item.

7 STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2016 £'000	2015 £'000
Wages and salaries	559,990	543,110
Social security costs	82,758	81,803
Share-based payments	3,345	4,670
Pension costs	22,798	21,274
	668,891	650,857

Share-based payments 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:

	2016 No.	2015 No.
UK	6,260	5,971
Germany	5,360	5,077
France	1,559	1,734
Belgium	194	211
	13,373	12,993

8 FINANCE REVENUE

	2016 £'000	2015 £'000
Bank interest receivable	895	1,410
Other interest received	734	188
	1,629	1,598

9 FINANCE COSTS

	2016 £'000	2015 £'000
Bank loans and overdrafts	373	714
Finance charges payable on CSF	219	340
Other interest	987	1,117
	1,579	2,171

10 INCOME TAX**a) Tax on profit from ordinary activities**

	2016 £'000	2015 £'000
Tax charged in the consolidated income statement		
Current income tax		
UK corporation tax	12,992	14,639
Foreign tax		
– operating results before exceptional items	7,702	6,485
Total foreign tax	7,702	6,485
Adjustments in respect of prior years	(170)	(232)
Total current income tax	20,524	20,892
Deferred tax		
Operating results before exceptional items:		
– origination and reversal of temporary differences	194	(1,276)
– adjustments in respect of prior years	(360)	(276)
– changes in recoverable amounts of deferred tax assets	2,750	4,265
Exceptional items	192	52
Total deferred tax	2,776	2,765
Tax charge in the consolidated income statement	23,300	23,657

b) Reconciliation of the total tax charge

	2016 £'000	2015 £'000
Accounting profit before income tax	87,073	126,767
At the UK standard rate of corporation tax of 20 per cent (2015: 20.25 per cent)	17,415	25,670
Expenses not deductible for tax purposes	962	1,187
Non-deductible element of share-based payment charge	665	128
Adjustments in respect of current income tax of previous years	(519)	(599)
Higher tax on overseas earnings	3,106	3,140
Other differences	71	(39)
Effect of changes in tax rate on deferred tax	170	220
Overseas tax not based on earnings	1,152	1,065
Non-chargeable exceptional gain on disposal of subsidiary	–	(8,529)
Deferred tax not recognised on current year losses	278	1,414
At effective income tax rate of 26.8 per cent (2015: 18.7 per cent)	23,300	23,657

c) Tax losses

Deferred tax assets of £5.9 million (2015: £7.4 million) have been recognised in respect of losses carried forward.

In addition, at 31 December 2016, there were unused tax losses across the Group of £150.8 million (2015: £130.9 million) for which no deferred tax asset has been recognised. Of these losses, £40.4 million (2015: £33.5 million) arise in Germany and £110.4 million (2015: £93.3 million) arise in France. A significant proportion of the losses arising in Germany have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

d) Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement and other comprehensive income	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Deferred income tax liabilities				
Accelerated capital allowances	–	1,197	(1,197)	(584)
Revaluations of foreign exchange contracts to fair value	559	370	189	370
Amortisation of intangibles	554	661	(117)	(315)
Gross deferred income tax liabilities	1,113	2,228		
Deferred income tax assets				
Relief on share option gains	1,797	2,590	793	(945)
Other temporary differences	3,244	4,348	396	(364)
Revaluations of foreign exchange contracts to fair value	308	176	132	(122)
Losses available for offset against future taxable income	5,960	7,431	2,580	4,725
Gross deferred income tax assets	11,309	14,545		
Deferred income tax charge			2,776	2,765
Net deferred income tax assets	10,196	12,317		
Disclosed on the consolidated balance sheet				
Deferred income tax assets	10,537	12,840		
Deferred income tax liabilities	(341)	(523)		
Net deferred income tax assets	10,196	12,317		

At 31 December 2016, there was no recognised or unrecognised deferred income tax liability (2015: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group expects that future remittances of earnings from its overseas subsidiaries will be covered by the UK dividend exemption.

e) Impact of rate change

The main rate of UK Corporation will be reduced to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020, as enacted in the Finance Act 2015. The deferred tax in these Financial Statements reflects this.

11 EARNINGS PER SHARE

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

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year are considered to be dilutive potential shares.

	2016 £'000	2015 £'000
Profit attributable to equity holders of the parent	63,773	103,110
	2016 £'000	2015 £'000
Basic weighted average number of shares (excluding own shares held)	120,540	122,948
Effect of dilution:		
Share options	1,344	2,655
Diluted weighted average number of shares	121,884	125,603
	2016 pence	2015 pence
Basic earnings per share	52.9	83.9
Diluted earnings per share	52.3	82.1

12 DIVIDENDS PAID AND PROPOSED

	2016 £'000	2015 £'000
Declared and paid during the year		
Equity dividends on Ordinary Shares:		
Second interim dividend for 2015: 15.0 pence [2014: nil pence]	18,106	–
Final dividend for 2015: nil pence [2014: 13.1 pence]	–	15,776
Interim dividend for 2016: 7.2 pence [2015: 6.3 pence]	8,696	7,698
	26,802	23,474
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on Ordinary Shares:		
Second interim dividend for 2016: nil pence [2015: 15.0 pence]	–	18,399
Final dividend for 2016: 15.0 pence [2015: nil pence]	18,399	–

13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Short leasehold improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
Cost				
At 1 January 2015	78,958	22,760	156,492	258,210
Relating to disposal of a subsidiary	(2,107)	(2,726)	(2,039)	(6,872)
Additions	467	2,146	10,690	13,303
Transfer to investment property (note 14)	(11,167)	–	–	(11,167)
Disposals	–	(853)	(30,581)	(31,434)
Foreign currency adjustment	(97)	(802)	(3,122)	(4,021)
At 31 December 2015	66,054	20,525	131,440	218,019
Relating to disposal of a subsidiary (note 17)	–	(5)	(160)	(165)
Additions	351	4,592	12,698	17,641
Disposals	–	(5)	(19,824)	(19,829)
Foreign currency adjustment	394	2,616	11,404	14,414
At 31 December 2016	66,799	27,723	135,558	230,080
Accumulated depreciation and impairment				
At 1 January 2015	37,290	12,950	128,030	178,270
Relating to disposal of a subsidiary	(534)	(665)	(1,558)	(2,757)
Provided during the year	2,267	2,341	14,277	18,885
Transfer to investment property (note 14)	(680)	–	–	(680)
Disposals	–	(801)	(29,592)	(30,393)
Foreign currency adjustment	(8)	(669)	(1,761)	(2,438)
At 31 December 2015	38,335	13,156	109,396	160,887
Relating to disposal of a subsidiary (note 17)	–	(5)	(129)	(134)
Provided during the year	537	2,826	12,268	15,631
Disposals	–	(5)	(19,520)	(19,525)
Foreign currency adjustment	47	2,205	7,949	10,201
At 31 December 2016	38,919	18,177	109,964	167,060
Net book value				
At 31 December 2016	27,880	9,546	25,594	63,020
At 31 December 2015	27,719	7,369	22,044	57,132
At 1 January 2015	41,668	9,810	28,462	79,940

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	
	2016 £'000	2015 £'000
Cost		
At 1 January	37,893	68,540
Additions	1,529	1,308
Disposals	(12,475)	(31,310)
Foreign currency adjustment	3,287	(645)
At 31 December	30,234	37,893
Accumulated depreciation and impairment		
At 1 January	34,076	60,853
Provided during the year	2,305	3,169
Disposals	(12,475)	(29,688)
Foreign currency adjustment	2,702	(258)
At 31 December	26,608	34,076
Net book value	3,626	3,817

14 INVESTMENT PROPERTY

	2016 £'000	2015 £'000
	Cost	
At 1 January	11,167	–
Transfer from property, plant and equipment (note 13)	–	11,167
At 31 December	11,167	11,167
Accumulated depreciation		
At 1 January	907	–
Transfer from property, plant and equipment (note 13)	–	680
Provided during the year	227	227
At 31 December	1,134	907
Net book value	10,033	10,260

Investment property represents a building owned by Digica Group Finance Limited (a fully-owned subsidiary of the Group) that is leased to RDC, a former subsidiary of the Group.

The fair value of investment property amounted to £15.0 million at 31 December 2016. The fair values for disclosure purposes have been determined using either the support of qualified independent external valuers or by internal valuers with the necessary recognised and relevant professional qualification, applying a combination of the present value of future cash flows and observable market values of comparable properties.

15 INTANGIBLE ASSETS

	Goodwill £'000	Software £'000	Acquired intangible assets £'000	Total £'000
Cost				
At 1 January 2015	55,859	87,880	18,273	162,012
Relating to disposal of a subsidiary	(835)	(2,956)	–	(3,791)
Additions	–	7,294	–	7,294
Disposals	–	(310)	–	(310)
Foreign currency adjustment	(332)	(391)	(151)	(874)
At 31 December 2015	54,692	91,517	18,122	164,331
Relating to disposal of a subsidiary (note 17)	–	(123)	–	(123)
Additions	–	4,943	–	4,943
Disposals	–	(2,248)	–	(2,248)
Foreign currency adjustment	4,030	1,360	1,981	7,371
At 31 December 2016	58,722	95,449	20,103	174,274
Amortisation and Impairment				
At 1 January 2015	8,493	48,024	15,151	71,668
Relating to disposal of a subsidiary	–	(1,835)	–	(1,835)
Provided during the year	–	11,758	1,553	13,311
Disposals	–	(301)	–	(301)
Foreign currency adjustment	461	(348)	(158)	(45)
At 31 December 2015	8,954	57,298	16,546	82,798
Relating to disposal of a subsidiary (note 17)	–	(111)	–	(111)
Provided during the year	–	12,413	784	13,197
Disposals	–	(2,223)	–	(2,223)
Foreign currency adjustment	1,491	1,069	1,768	4,328
At 31 December 2016	10,445	68,446	19,098	97,989
Net Book Value				
At 31 December 2016	48,277	27,003	1,005	76,285
At 31 December 2015	45,738	34,219	1,576	81,533
At 1 January 2015	47,366	39,856	3,122	90,344

16 IMPAIRMENT TESTING OF GOODWILL, OTHER INTANGIBLE ASSETS AND OTHER NON-CURRENT ASSETS

Goodwill acquired through business combinations have been allocated to the following CGUs:

- Computacenter (UK) Limited
- Computacenter Germany
- Computacenter France
- Computacenter AG
- NEWIS SA and Informatic Services IS SA (together 'Belgium IS').

These represent the lowest level within the Group at which goodwill is monitored for internal Management purposes. Certain other corporate assets are unable to be allocated against specific CGUs. These assets are tested across an aggregation of CGUs that utilise the asset.

Movements in goodwill

	Computacenter (UK) Limited £'000	R.D. Trading £'000	Computacenter Germany £'000	Computacenter France £'000	Computacenter AG £'000	Belgium IS £'000	Total £'000
1 January 2015	30,429	835	13,948	–	862	1,292	47,366
Foreign currency adjustment	–	–	(715)	–	48	(126)	(793)
Disposal of a subsidiary	–	(835)	–	–	–	–	(835)
31 December 2015	30,429	–	13,233	–	910	1,166	45,738
Foreign currency adjustment	–	–	2,192	–	158	189	2,539
31 December 2016	30,429	–	15,425	–	1,068	1,355	48,277
Market growth rate	2.5%	2.5%	2.5%	1.5%	1.5%	1.5%	
Discount rate	11.0%	11.0%	11.0%	12.0%	12.0%	15.0%	

Key assumptions used in value-in-use calculations

The recoverable amounts of all CGUs have been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by Senior Management covering a three-year period and on long-term market growth rates of between 1.5 and 2.5 per cent (2015: between 1.5 and 2.5 per cent) thereafter.

Key assumptions used in the value-in-use calculation for all CGUs for 31 December 2016 and 31 December 2015 are:

- budgeted revenue, which is based on long-run market growth forecasts;
- budgeted gross margins, which are based on average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends; and
- the discount rate applied to cash flow projections ranges from 11.0 to 15.0 per cent (2015: 11.0 to 15.0 per cent) which represents the Group's pre-tax discount rate adjusted for the risk profiles of the individual CGUs.

Each CGU generates value substantially in excess of the carrying value of goodwill attributed to each of them. Management therefore believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Other intangible assets

Other intangible assets consist of customer contracts, customer relationships and tools and technology. The expected useful lives are shown in note 2.

Other non-current assets

When there is an indication of impairment within a CGU, the carrying value of the non-current assets are compared to their recoverable amount which is the higher of the assets' fair value less costs of disposal or the value-in-use of the CGU calculated as described above.

In France, a shortfall from the financial budgets approved by Management, or adverse changes in the assumptions, such as a 0.5 per cent reduction in market growth rate or an increase in the discount rate of 0.5 per cent would cause the carrying value to exceed its recoverable amount.

17 INVESTMENTS**a) Investment in associate**

The following table illustrates summarised information of the investment in associates:

	2016 £'000	2015 £'000
Cost		
At 1 January	589	591
Exchange rate movement	15	(2)
At 31 December	604	589
Impairment		
At 1 January and 31 December	(549)	(549)
Carrying value	55	40

Gonicus GmbH

The Group has a 20 per cent (2015: 20 per cent) interest in Gonicus GmbH, whose principal activity is the provision of Open Source Software. Gonicus is a private entity, incorporated in Germany, that is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment. The reporting date of Gonicus is 31 December.

ICS Solutions Limited

The Group has a 25 per cent (2015: 25 per cent) interest in ICS Solutions Limited [ICS] whose principal activity is the delivering of both on-premise and cloud based services and solutions across the Microsoft technology stack. ICS is a private entity, incorporated in the United Kingdom, that is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment. The reporting date of ICS is 30 June.

b) Investment in subsidiaries

The Group's subsidiary undertakings are as follows:

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held	
			2016	2015
Computacenter (UK) Limited	England ⁱ	IT Infrastructure services	100%	100%
Computacenter France SAS	France ⁱⁱⁱ	IT Infrastructure services	100%	100%
Logival (SARL)	France ⁱⁱⁱ	IT Infrastructure services	100%	100%
Computacenter Holding GmbH	Germany ^{vi}	IT Infrastructure services	100%	100%
Computacenter Aktiengesellschaft	Germany ^v	IT Infrastructure services	100%	100%
Computacenter Management GmbH	Germany ^v	IT Infrastructure services	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

17 INVESTMENTS CONTINUED

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held	
			2016	2015
Computacenter Managed Services GmbH	Germany ^v	IT Infrastructure services	100%	100%
Computacenter NV/SA	Belgium ⁱⁱ	IT Infrastructure services	100%	100%
Computacenter NV	Netherlands	IT Infrastructure services	100%	100%
R.D. Trading Limited	England	IT Asset Management	n/a	100% ¹
Computacenter PSF SA	Luxembourg	IT Infrastructure services	n/a	100%
Computacenter [U.S.] Inc	USA ^{xiv}	IT Infrastructure services	100% ¹	100% ¹
Computacenter Services (Iberia) SLU	Spain ^{xii}	International Call Centre Services	100% ¹	100% ¹
Digica Group Finance Limited	England ⁱ	Investment Property	100% ¹	100% ¹
Digica Group Holdings Limited	England ⁱ	IT infrastructure and application services	100%	100%
Computacenter Services and Solutions (Pty) Limited	South Africa ^{xi}	IT Infrastructure services	100% ¹	100% ¹
Computacenter AG	Switzerland ^{xiii}	IT Infrastructure services	100%	80%
Informatic Services IS SA	Belgium ⁱⁱ	IT Infrastructure services	100% ³	100% ³
Computacenter Services (Malaysia) Sdn Bhd	Malaysia ^{viii}	International Call Centre Services	100% ¹	100% ¹
Computacenter Services Kft	Hungary ^{vii}	International Call Centre Services	100% ¹	100% ¹
Computacenter India Private Limited	India ^{xv}	International Call Centre Services	100% ¹	100% ¹
Computacenter Information Technology (Shanghai) Company Limited	China ^{xvi}	International Call Centre Services	100% ¹	n/a
Computacenter Germany AG & Co oHG	Germany ^{vi}	IT Infrastructure services	100% ²	100% ²
Computacenter AG & Co oHG	Germany ^{iv}	IT Infrastructure services	100% ²	100% ²
E'ZWO Computervertriebs	Germany ^{vi}	IT Infrastructure services	99.09% ²	99.09% ²
Alfatron GmbH Elektronik – Vertrieb	Germany ^{vi}	IT Infrastructure services	100% ²	100% ²
C'NARIO Informationsprodukte Vertriebs-GmbH	Germany ^{vi}	IT Infrastructure services	100% ²	100% ²
Computacenter México S.A. de C.V.	Mexico ^{ix}	International Call Centre Services	100% ¹	n/a
Computacenter Trustees Limited	England ⁱ	Employee Share Scheme Trustees	100% ¹	100% ¹
Computacenter Quest Trustees Limited	England ⁱ	Employee Share Scheme Trustees	100% ¹	100% ¹
Allnet Limited	England ^d	Dormant company	100% ¹	100% ¹
Amazon Computers Limited	England ^d	Dormant company	100% ¹	100% ¹
Amazon Energy Limited	England ^d	Dormant company	100% ¹	100% ¹
Amazon Systems Limited	England ^d	Dormant company	100% ¹	100% ¹
CAD Systems Limited	England ^d	Dormant company	100% ¹	100% ¹
Compufix Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter (FMS) Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter (Management Services) Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter (Mid-Market) Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Consumables Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Distribution Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Leasing Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Maintenance Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Overseas Holdings Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Services Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Software Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Solutions Limited	England ^d	Dormant company	100% ¹	100% ¹
Computacenter Training Limited	England ^d	Dormant company	100% ¹	100% ¹
Computadata Limited	England ^d	Dormant company	100% ¹	100% ¹
Computer Services Group Limited	England ^d	Dormant company	100% ¹	100% ¹
Digica Group Limited	England ^d	Dormant company	100% ¹	100% ¹
Digica Limited	England ^d	Dormant company	100% ¹	100% ¹
Digica SMP Limited	England ^d	Dormant company	100% ¹	100% ¹

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held	
			2016	2015
Digica (FMS) Limited	England ⁱ	Dormant company	100% ¹	100% ¹
ICG Services Limited	England ⁱ	Dormant company	100% ¹	100% ¹
M Services Limited	England ⁱ	Dormant company	100% ¹	100% ¹
Merchant Business Systems Limited	England ⁱ	Dormant company	100% ¹	100% ¹
Merchant Systems Limited	England ⁱ	Dormant company	100% ¹	100% ¹

1. Includes indirect holdings of 100 per cent via Computacenter (UK) Limited.
2. Includes indirect holdings of 100 per cent via Computacenter Holding GmbH excludes E'ZWO Computervertriebs which is 99.09 per cent.
3. Includes indirect holdings of 100 per cent via Computacenter NV/SA.

- i Hatfield Avenue, Hatfield, Hertfordshire, AL10 9TW
- ii Ikaroslaan 31, B-1930 Zaventem
- iii Agence de Roissy, 229 rue de la Belle Étoile, ZI Paris Nord II, BP 52387, 95943 Roissy CDG Cedex
- iv Europaring 34-40, 50170 Kerpen
- v Kattenbug 2, 50667 Köln
- vi Werner-Eckert-Str. 16-18, 81829 München
- vii Haller Gardens, Building D. 1st Floor, Soroksári út 30-34, Budapest 1095

- viii Level 9, Tower 1, Puchong Financial Corporate Centre, Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan
- ix Av. Paseo de la Reforma, No. 412 floor 5, Col. Juárez, Delegación Cuauhtémoc, Zip Code 06600, México City
- x Beech Avenue 54-80, 1119 PW, Schiphol-Rijk
- xi Building 1, Parc du Cap, Mispel Road, Bellville, 7535, Cape Town
- xii Carrer de Sancho De Avila 52, 08018 Barcelona
- xiii Riedstrasse 14, CH-8953 Dietikon
- xiv 50 Tice Blvd, Suite 340, Woodcliff Lake, NJ 07677
- xv No. 3093, 6A Main, 13th Cross, HAL 2nd Stage, Indiranagar, Bangalore, 560008
- xvi Unit 229, Block 2, Building 1, Huanhu West 2nd Road no. 888 Nanhui New Town, Putong District, Shanghai

Computacenter plc is the ultimate parent entity of the Group.

Disposal of subsidiary

On 31 August 2016, the Group disposed of its wholly-owned subsidiary, Computacenter PSF SA [Luxembourg]. The Group reached agreement with Gfi Informatique for the disposal of the entire share capital of Computacenter PSF SA. For the year ended 31 December 2016, Computacenter PSF SA generated revenues of £2.0 million [2015: £4.2 million] and statutory loss before tax of £0.1 million [2015: £0.1 million]. The net assets of Computacenter PSF SA, including cash of £0.2 million, were disposed for a gross consideration of €1,000. This generated an exceptional loss of £0.5 million. The net assets of Luxembourg at the date of disposals were as follows:

	£'000
Property, plant and equipment	31
Software	12
Trade and other receivables	451
Cash and cash equivalents	218
Trade and other payables	(291)
Total net assets	421
Loss on disposal	(522)
Total consideration, net of disposal costs	(101)
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	(101)
Less: cash and cash equivalents disposed of	(218)
	(319)

From 1 January 2016 until the date of disposal, Luxembourg reported £2 million of Revenue and £0.1 million of loss after tax.

Update on acquisition made in 2009

On 26 November 2009, the Group acquired 100 per cent of the voting shares of becom Informationssysteme GmbH (becom) in Germany for an initial consideration of €2.0 million and a contingent consideration of €1.2 million. The conditions for the payment of the contingent consideration have now been met and this was subsequently been paid during the year.

18 INVENTORIES

	2016 £'000	2015 £'000
Inventories for re-sale	44,015	45,647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

19 TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Trade receivables	722,848	609,731
Other receivables	17,523	12,025
	740,371	621,756

For terms and conditions relating to related party receivables, refer to note 33.

Trade receivables are non-interest bearing and are generally on 30 to 90-day credit terms. Note 26 sets out the Group's strategy towards credit risk.

The movements in the provision for doubtful debts were as follows:

	2016 £'000	2015 £'000
At 1 January	13,130	16,837
Charge for the year	11,019	5,468
Utilised	(5,139)	(3,769)
Unused amounts reversed	(5,052)	(4,748)
Foreign currency adjustment	(1,643)	(658)
At 31 December	12,315	13,130

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

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired				
			<30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2016	722,848	632,841	65,114	12,878	5,307	3,742	2,966
2015	609,731	547,638	40,084	13,106	4,275	1,050	3,578

20 CASH AND SHORT-TERM DEPOSITS

	2016 £'000	2015 £'000
Cash at bank and in hand	118,676	111,770

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 £118,676,000 (2015: £111,770,000).

Due to strong cash generation over the past three years, the Group is now in a position where it can finance its requirements from its cash balance. The Group does, however, retain overdraft facilities where required. The uncommitted overdraft facilities available to the Group are £12.8 million at 31 December 2016 (2015: £13.7 million). During 2013 the Group entered into a specific committed facility of £40.0 million for a three-year term which was due to expire in May 2016. In February 2015 this facility was extended at the same value through to February 2018. At 31 December 2016 the facility was not utilised.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	2016 £'000	2015 £'000
Cash at bank and in hand	118,676	111,770
Bank overdrafts (note 22)	–	(90)
	118,676	111,680

21 TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade payables	482,639	392,757
Other payables	196,899	189,098
	679,538	581,855

For terms and conditions relating to related parties, refer to note 33.

Trade payables, except where we have taken short term advantage of supplier extended-term interest-bearing credit facilities (2016: £13.3 million, 2015: £nil), are non-interest bearing and are normally settled on net monthly terms.

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

22 FINANCIAL LIABILITIES

	2016 £'000	2015 £'000
Current		
Bank loan	294	–
Bank overdrafts	–	90
Other loans – ‘CSF’	413	1,514
Current obligations under finance leases – ‘CSF’ (note 24)	1,645	2,675
	2,352	4,279
Non-current		
Bank loan	–	5
Non-current obligations under finance leases – ‘CSF’ (note 24)	1,832	1,698
	1,832	1,703

There are no material differences between the fair value of financial liabilities and their book value.

Bank overdrafts

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

Finance leases

The finance leases are only secured on the assets that they finance. These assets are in the main used to satisfy specific customer contracts. There are a small number of assets that are utilised internally.

Other loans

The other loans are unsecured borrowings to finance equipment sold to customers on specific contracts or for equipment for own use.

Other loans comprise the following:

	Maturity date	Interest rate	£'000
31 December 2016			
	2017	1.75% – 6.67%	413
Less: current instalments due on other loans			(413)
			–
	Maturity date	Interest rate	£'000
31 December 2015			
	2016	1.75% – 6.67%	1,514
Less: current instalments due on other loans			(1,514)
			–

The table below summarises the maturity profile of these loans:

	2016 £'000	2015 £'000
No later than one year	413	1,514
	413	1,514

The finance lease and loan facilities are committed.

Facilities

At 31 December 2016, the Group had available £12.8 million of uncommitted overdraft facilities (2015: £13.7 million).

23 FORWARD CURRENCY CONTRACTS

	2016 £'000	2015 £'000
Financial instruments at fair value through profit and loss		
Foreign exchange forward contracts	1,561	358
Financial instruments at fair value through other comprehensive income		
Cash flow hedges		
Foreign exchange forward contracts	6,293	940
	7,854	1,298

Cash flow hedges

Financial assets and liabilities at fair value through other comprehensive income

These amounts reflect the change in the fair value of foreign exchange forward contracts designated as cash flow hedges which are used to hedge expected contract costs in South African Rand and Hungarian Forint where sales on those contracts are in Sterling, based on highly probable forecast transactions.

Financial assets and liabilities at fair value through profit or loss

The Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases. When these other contracts are not designated in hedge relationships they are measured at fair value through profit and loss within administrative expenses.

The foreign exchange forward contract balances vary with the level of expected foreign currency costs and changes in the foreign exchange forward rates.

Effectiveness of hedging

The terms of the foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions to which hedge accounting has been applied. No significant element of hedge ineffectiveness required recognition in the Consolidated Income Statement.

The cash flow hedges of the forecasted costs were assessed to be highly effective and a net unrealised gain of £6,293,000 (2015: £940,000) with a deferred tax liability of £1,070,000 (2015: £190,000) relating to the hedging instruments is included in the Consolidated Statement of Comprehensive Income. The amounts retained in the Consolidated Statement of Comprehensive Income of £6,293,000 (2015: £940,000) are expected to mature and affect the Consolidated Income Statement between 2017 and 2020.

24 OBLIGATIONS UNDER LEASES

a) Finance lease commitments

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

	2016		2015	
	Minimum payments £'000	Present value of payments £'000	Minimum payments £'000	Present value of payments £'000
Within one year	1,771	1,645	2,810	2,675
After one year but not more than five years	1,971	1,832	1,765	1,698
	3,742	3,477	4,575	4,373
Future finance charges	[265]		[202]	
Present value of finance lease obligation	3,477		4,373	

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:

	2016 £'000	2015 £'000
Within one year	33,651	42,512
After one year but not more than five years	58,866	65,993
More than five years	10,609	18,535
	103,126	127,040

c) Operating lease receivables where the Group is lessor

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

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

	2016 £'000	2015 £'000
Within one year	1,024	1,024
After one year but not more than five years	4,000	4,000
More than five years	3,090	4,090
	8,114	9,114

25 PROVISIONS

	Customer contract provisions £'000	Other provision £'000	Property provisions £'000	Total provisions £'000
At 1 January 2016	1,258	4,869	3,017	9,144
Arising during the year	–	2,027	–	2,027
Utilised	(431)	(1,987)	(1,049)	(3,467)
Exchange adjustment	188	813	102	1,103
At 31 December 2016	1,015	5,722	2,070	8,807
Current 2016	876	1,008	1,191	3,075
Non-current 2016	139	4,714	879	5,732
	1,015	5,722	2,070	8,807
Current 2015	751	1,568	1,731	4,050
Non-current 2015	507	3,301	1,286	5,094
	1,258	4,869	3,017	9,144

Customer contract provisions

Customer contract provisions are based on the Directors' best estimate of the amount of future losses to completion on certain Managed Services contracts.

As one of the three contracts initially provided for ceased during the final quarter of 2015, only two remain provided for at 31 December 2016. The originally contracted periods for both of these contracts were due to complete during 2016, however both have now been extended, on terms that are more favourable than before.

Whilst there continues to be uncertainty around the future performance of these contracts and the exact timing of cash flows, this uncertainty continues to decrease due to the Group's experience in running these particular, now mature, contracts. Management remains comfortable with the level of the provision.

Property provisions

Assumptions used to calculate the property provisions are based on 100 per cent of the market value of the rental charges plus any contractual dilapidation expenses on empty properties and the Directors' best estimates of the likely time before the relevant leases can be reassigned or sub-let, which ranges between one and 15 years. The provisions in relation to the UK properties are discounted at a rate based upon the Bank of England base rate. Those in respect of the European operations are discounted at a rate based on Euribor.

Other provisions

The Group has a provision against the retirement benefit obligations in France under the Indemnités de Fin de Carrière (IFC) as described in note 2.13.3. Economic outflows under the obligation only occur if eligible employees reach the statutory retirement age whilst still in employment. The Group made £37,000 of payments during 2016 under this obligation (2015: £nil).

In estimating the provision required, Management is required to make a number of assumptions. The key areas of estimation uncertainty are the discount rate applied to future cash flows, the turnover rate of employed personnel and rate of salary increases over the length of their projected employment. The level of unrealised actuarial gains or losses are sensitive to changes in the discount rate, which is affected by market conditions and therefore subject to variation. Management makes use of an independent actuarial valuation in reaching its conclusions.

The net liability recognised in the balance sheet at 31 December 2016 in respect of the Group's French retirement benefit obligations under the IFC was £4.7 million (2015: £3.3 million). Key movements during the year include a charge to the Income Statement of £0.4 million for the service cost and an actuarial loss taken through reserves of £0.5 million. The actuarial loss primarily related to a reduction in the iBoxx € Corporate AA 10y + index discount rate from 2.0 per cent at 31 December 2015 to 1.3 per cent at 31 December 2016.

25 PROVISIONS CONTINUED

Also included within other provisions are the residual estimated costs associated with elements of the comprehensive transformation of the Group's French business that occurred in 2014 for £0.7 million and the Line of Business restructure that occurred during 2016 for £0.2 million. The remaining nature of the costs previously provided for primarily include retraining and resettlement costs for redundant employees are expected to be utilised in 2017. The £1.1 million of costs provided for during the first half of the year represent the last expected tranche of assistance costs to former employees for the 2014 restructure of £0.1 million and the cost of the Line of Business restructure for £1.0 million.

The 2014 transformation provision was based inter alia on assumptions concerning the duration of individual settlement payment programmes and the uptake of retraining and resettlement packages. As disclosed last year, there remains some residual uncertainty relating to individual legal challenges to the implementation of the Social Plan. These uncertainties arise both from technical arguments around whether the Social Plan process followed was procedurally correct and had pre-existing approval from the multiple, potentially interested, regulatory authorities and also from a challenge as to whether Computacenter France was damaging to the overall Group competitiveness and economic performance. Having taken independent legal advice on this matter Management has applied judgements which it considers reasonable in establishing the required provision. Management retains a provision, within the amount disclosed above, for legal expenses of £0.3 million directly related to these individual legal challenges to termination settlements provided under the Social Plan.

26 FINANCIAL INSTRUMENTS

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the Group Finance Director's Review on pages 45 to 53.

Credit risk

The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter. The balance of trade receivables relates to customers for whom there is no recent history of default. In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date. The maximum exposure on trade receivables, as at the reporting date, is their carrying value.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, current asset investment and forward currency contracts, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents. The Group manages its counterparty credit risk by placing cash on deposit across a panel of reputable banking institutions, with no more than £50.0 million deposited at any one time except for UK Government-backed counterparties where the limit is £70.0 million.

Aside from the counterparty risk above, there are no significant concentrations of credit risk within the Group.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, cash and short-term deposits and finance leases and loans for certain customer contracts. The Group's bank borrowings, existing committed and uncommitted facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. If long-term borrowings were to be utilised in the future, the Group's policy would be to maintain these borrowings at fixed rates to limit the Group's exposure to interest rate fluctuations.

Interest rate sensitivity

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

	Change in basis points	Effect on profit before tax £'000
2016		
Sterling	+25	117
Euro	+25	247
US Dollars	+25	8
2015		
Sterling	+25	146
Euro	+25	138
US Dollars	+25	33

The impact of a reasonable possible decrease to the same range shown in the table would result in an opposite impact on the profit before tax of the same magnitude.

Fair values

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried within the Consolidated Financial Statements is not materially different from their carrying amount.

Forward currency contracts

At 31 December 2016 the Group held foreign exchange contracts as hedges of an inter-company loan and future expected payments to suppliers. The exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are detailed below:

31 December 2016

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK	Euros	Sterling	€ 1,246,671	Jan 17 – Feb 17	1.175 – 1.191
	Sterling	US Dollars	£4,295,315	Jan 17 – Mar 17	1.226 – 1.269
	Sterling	Euros	£2,494,898	Jan 17 – Mar 17	1.165 – 1.188
	Sterling	Swiss Francs	£2,072,401	Jan 17 – Jun 17	1.253 – 1.274
	Swiss Francs	Sterling	CHF 667,000	Jan 17	1.253
	US Dollars	Sterling	\$23,485,088	Jan 17 – Mar 17	1.220 – 1.274
	SA Rand	Sterling	ZAR 448,731,099	Jan 17 – Dec 20	20.426 – 33.050
	Sterling	Swedish Krona	£133,752	Jan 17	11.215
	Swedish Krona	Sterling	SEK 10,404,564	Jan 17	11.151 – 11.199
	Sterling	Hungarian Forint	£853,455	Jan 17 – Mar 17	362.990 – 374.272
	Hungarian Forint	Sterling	HUF 234,441,747	Jan 17 – Oct 17	366.379 – 440.260
	Sterling	Hong Kong Dollars	£419,539	Jan 17	9.517 – 9.519
	Germany	US Dollars	Euros	\$69,700,000	Jan 17 – Jun 17
Hungarian Forint		Euros	HUF 873,700,000	Jan 17 – Oct 18	322.75 – 323.58

31 December 2015

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK	Euros	Sterling	€4,550,469	Jan 16 – Jun 16	1.342 – 1.366
	Sterling	US Dollars	£2,226,626	Jan 16 – Mar 16	1.475 – 1.482
	Sterling	Euros	£7,464,998	Jan 16 – Feb 16	1.354 – 1.423
	Sterling	Swiss Francs	£473,269	Jan 16 – Jun 16	1.459 – 1.470
	Sterling	Hungarian Forint	£656,637	Jan 16	428.028
	US Dollars	Sterling	\$31,721,780	Jan 16 – Apr 16	1.475 – 1.553
	Sterling	Swedish Krona	£647,151	Jan 16	12.462
	Hungarian Forint	Sterling	HUF 488,000,000	Jan 16 – Oct 17	428.155 – 430.009
	SA Rand	Sterling	ZAR 247,766,652	Jan 16 – Dec 17	19.465 – 23.062
	US Dollars	Euros	\$4,000,000	Jan 16	1.089
	Germany	US Dollars	Euros	\$52,525,000	Jan 16 – Apr 16
Hungarian Forint		Euros	HUF 651,000,000	Jan 16 – Oct 16	321.00 – 323.58

The gains or losses arising from changes in the fair value of the above contracts are detailed in note 23.

Exchange rate sensitivity

The majority of the transactions in each of the Group's geographical Segments are denominated in the functional currency of that Segment. There are, however, a limited number of transactions where foreign currency exchange risk exists. In these instances the Group enters into forward currency contracts, as shown in the above table, in order to mitigate such risk. At the end of the year the fair value of the outstanding contracts was a net asset of £7,854,000 (2015: £1,298,000).

Other than differences arising from the translation of results of operations outside of the Group's functional currency, reasonably foreseeable movements in the exchange rates of +10 per cent or -10 per cent would not have a material impact on the Group's profit before tax or equity.

26 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 2016					
Financial liabilities	–	856	1,659	1,934	4,449
Derivative financial instruments	–	181	92	–	273
Trade and other payables	–	679,538	–	–	679,538
	–	680,575	1,751	1,934	684,260

	On demand £'000	<3 months £'000	3-12 months £'000	1-5 years £'000	Total £'000
Year ended 31 December 2015					
Financial liabilities	90	1,583	2,340	2,171	6,184
Derivative financial instruments	–	574	338	10	922
Trade and other payables	–	581,855	–	–	581,855
	90	584,012	2,678	2,181	588,961

Fair value measurements recognised in the Consolidated Balance Sheet

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments – forward currency contracts

At 31 December 2016 the Group had forward currency contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of a net asset of £7,854,000 (2015: £1,298,000).

The realised gains from forward currency contracts in the year to 31 December 2016 of £940,000 (2015: £747,000), are offset by broadly equivalent realised losses on the related underlying transactions.

27 CAPITAL MANAGEMENT

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

Consistent with the Group's aim to maximise return to shareholders, the Company's Dividend Policy is to maintain a dividend cover of between 2 to 2.5 times. In 2016 the cover was 2.4 times, on an adjusted¹ profit basis (2015: 2.5 times).

The Group's capital base is primarily utilised to finance its fixed assets and working capital requirements. The Group seeks to optimise the use of working capital and improve its cash flow. As a consequence, the UK has sourced an increasing proportion of its product business via distributors in order to reduce the working capital requirements of the business.

Capital is allocated across the Group in order to minimise the Group's exposure to exchange rates. Each country finances its own working capital requirements, typically resulting in borrowings in France with cash on deposit in the UK and Germany. During 2013, a notional cash pooling arrangement was introduced, which is still in place, which Group companies can access and allows the Group to pool its funds.

In certain circumstances, the Group enters into customer contracts that are financed by leases, which are secured only on the assets that they finance, or loans. Whilst the outstanding amounts of this CSF are included within net funds³ for statutory reporting purposes, the Group excludes this CSF when managing the net funds³ of the business as this outstanding financing is matched by committed future revenues. These financing facilities, which are committed, are thus outside of the normal working capital requirements of the Group's product resale and services activities.

In certain circumstances, the Group deposits its funds in short-term investments that do not fulfil the criteria to be classified as cash and cash equivalents. The Group considers these deposits when managing the net funds³ of the business, and accordingly includes these deposits within net funds³ excluding CSF.

Capital, defined as net funds³, that the Group monitors is:

	2016 £'000	2015 £'000
Net funds³ excluding CSF	148,382	126,675
CSF	(3,890)	(5,887)
Net funds³	144,492	120,788

Each operating country manages its working capital in line with Group policies. The key components of working capital, i.e. trade receivables, inventory and trade payables, are managed in accordance with an agreed number of days targeted in the budget process, in order to ensure efficient capital usage.

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

The Group regularly reviews the adequacy of its facilities against any foreseeable peak borrowing requirement. At 31 December 2016, the Group had available £12.8 million of uncommitted overdraft facilities (2015: £13.7 million).

28 ISSUED CAPITAL AND RESERVES

Authorised share capital

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital. The Company's Articles of Association has been amended to reflect this change.

Issued share capital – ordinary shares

Issued and fully paid	6½p ordinary shares No. '000	7½p ordinary shares No. '000	0.01p B shares No. '000	0.01p Deferred shares No. '000	Total £'000
At 1 January 2015	139,012	–	153,932	–	9,283
Share consolidation	(139,012)	122,658	–	–	–
Return of Value – issue of B shares	–	–	139,012	–	14
Conversion of B shares to deferred shares	–	–	(292,944)	292,944	–
At 31 December 2015	–	122,658	–	292,944	9,297
Issue of shares	–	30	–	–	2
At 31 December 2016	–	122,688	–	292,944	9,299

During the year, the issued share capital was increased by £2,000 by the issue of ordinary shares for cash on exercise of share options.

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

The Company has a number of share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (note 29).

Share premium

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

Capital redemption reserve

The capital redemption reserve is used to maintain the Company's capital following the purchase and cancellation of its own shares. During the year the Company repurchased nil of its own shares for cancellation (2015: nil).

Own shares held

Own shares held comprise the following:

i) Computacenter Employee Share Ownership Plan

Shares in the parent undertaking comprise 1,877,317 (2015: 1,999,249) 7½ pence ordinary shares of Computacenter plc purchased by the Computacenter Employee Share Ownership Plan (the Plan). The principal purpose of the Plan is to be funded with shares that will satisfy discretionary executive share plans. The number of shares held represents 1.5 per cent (2015: 1.6 per cent) of the Company's issued share capital.

Since 31 December 2002, the definition of beneficiaries under the ESOP Trust has been expanded to include employees who have been awarded options to acquire ordinary shares of 7½ pence each in Computacenter plc under other employee share plans of the Group, namely the Computacenter Service Group plc Approved Executive Share Option Plan, the Computacenter plc Employee Share Option Scheme 1998, the Computacenter Service Group plc Unapproved Executive Share Option Scheme, the Computacenter Performance Related Share Option Scheme 1998, the Computacenter plc Sharesave Plus Scheme and any future similar share ownership schemes.

28 ISSUED CAPITAL AND RESERVES CONTINUED

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

The Plan Trustees have waived the dividends receivable in respect of 1,877,317 7½ pence ordinary shares (2015: 1,999,249) that it owns which are all unallocated shares.

ii) Computacenter Qualifying Employee Share Trust ('the Quest')

The total shares held are 183,419 (2015: 200,462) 7½ pence ordinary shares, which represents 0.15 per cent (2015: 0.16 per cent) of the Company's issued share capital. All of these shares will continue to be held by the Quest until such time as the Sharesave options granted against them are exercised. The market value of these shares at 31 December 2016 was £1,467,352 (2015: £1,707,936). The Quest Trustees have waived dividends in respect of all of these shares. During the year the Quest subscribed for nil 7½ pence ordinary shares (2015: nil 6½ pence ordinary shares).

Translation and hedging reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the Financial Statements of foreign subsidiaries. The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges.

29 SHARE-BASED PAYMENTS

Executive share option scheme

During the year, options were exercised with respect to 30,000 7½ pence ordinary shares (2015: 300,000 6½ pence ordinary shares) at a nominal value of £2,268 (2015: £22,667) at an aggregate premium of £83,232 (2015: £727,333).

Under the Computacenter Employee Share Option Scheme 1998 and the Computacenter Services Group Executive Share Scheme, options in respect of nil (2015: nil) shares lapsed.

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

Date of grant	Exercisable between	Exercise price	2016 Number outstanding	2015 Number outstanding
17/04/2007	17/04/2012 – 16/04/2017	285.00p	–	30,000
			–	30,000

Please refer to the information given in the Directors' interest in share incentive schemes table in the Annual Remuneration report on page 86 for details of the vesting conditions attached to the Executive share options.

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

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Executive share option scheme				
Outstanding at the beginning of the year*	30,000	£2.56	330,000	£2.53
Exercised during the year**	(30,000)	£2.56	(300,000)	£2.53
Outstanding at the end of the year	–	–	30,000	£2.56
Exercisable at the end of the year	–	–	30,000	£2.85

Notes
 * Included within this balance are options over nil (2015: nil) shares that have not been accounted for under 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 share price at the date of exercise for the options exercised is £8.34 (2015: £7.25).

The weighted average remaining contractual life for the share options outstanding as at 31 December 2016 is nil years (2015: 1.29 years).

Computacenter Performance Share Plan (PSP)

Under the Computacenter PSP, shares granted will be subject to certain performance conditions as described in the Annual Remuneration report.

During the year 609,748 [2015: 690,807] shares were awarded, 697,747 [2015: 487,335] were exercised and 202,062 [2015: 597,887] lapsed. At 31 December 2016 the number of shares outstanding was as follows:

Date of grant	Maturity date	Share price at date of grant	2016 Number outstanding	2015 Number outstanding
17/03/2011	17/03/2014	423.00p	2,660	2,660
23/03/2012	23/03/2015	433.00p	2,285	13,385
03/05/2013	21/03/2016	440.00p	45,827	867,525
20/03/2014	20/03/2017	682.50p	689,619	704,631
26/03/2015	26/03/2018	720.00p	655,938	690,807
22/03/2016	22/03/2019	847.00p	592,618	–
			1,988,947	2,279,008

The weighted average share price at the date of exercise for the options exercised is £8.42 [2015: £6.95].

The weighted average remaining contractual life for the options outstanding as at 31 December 2016 is 1.1 years [2015: 1.1 years].

Computacenter Sharesave Scheme

The Group operates a Sharesave Scheme which is available to all employees and full time Executive Directors of the Group and its subsidiaries who have worked for a qualifying period. All options granted under this scheme are satisfied at exercise by way of a transfer of shares from the Computacenter Qualifying Employee Share Trust. During the year 992,698 [2015: 1,133,397] options were granted with a fair value of £1,387,847 [2015: £946,862].

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

Date of grant	Exercisable between	Share price	2016 Number outstanding	2015 Number outstanding
October 2010	01/12/2015 – 31/05/2016	258.00p	–	133,980
October 2011	01/12/2016 – 31/05/2017	332.00p	54,980	206,709
October 2012	01/12/2015 – 31/05/2016	381.00p	–	39,618
October 2012	01/12/2017 – 31/05/2018	343.00p	354,320	372,024
October 2013	01/12/2016 – 31/05/2017	484.00p	96,348	361,014
October 2013	01/12/2018 – 31/05/2019	430.00p	578,676	628,671
October 2014	01/12/2017 – 31/05/2018	589.50p	338,464	372,939
October 2014	01/12/2019 – 31/05/2020	524.00p	660,065	717,448
October 2015	01/12/2018 – 31/05/2019	675.00p	340,825	373,401
October 2015	01/12/2020 – 31/05/2021	600.00p	689,652	751,323
October 2016	01/12/2019 – 31/05/2020	649.00p	336,371	–
October 2016	01/12/2021 – 31/05/2022	577.00p	649,665	–
			4,099,366	3,957,127

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

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Sharesave Scheme				
Outstanding at the beginning of the year	3,957,127	£5.03	4,025,176	£4.23
Granted during the year	992,698	£6.02	1,133,397	£6.25
Forfeited during the year	(268,047)	£5.41	(349,452)	£4.76
Exercised during the year***	(582,412)	£3.85	(851,994)	£3.00
Outstanding at the end of the year	4,099,366	£5.41	3,957,127	£5.03
Exercisable at the end of the year	151,328	£4.28	173,598	£2.86

Note

*** The weighted average share price at the date of exercise for the options exercised is £7.82 [2015: £7.93].

29 SHARE-BASED PAYMENTS CONTINUED

The weighted average remaining contractual life for the options outstanding as at 31 December 2016 is 3.2 years [2015: 3.4 years].

The fair value of the Executive Share Option Scheme, the Performance-Related Share Option Scheme, the Performance Share Plan (PSP) and Sharesave Scheme plans are estimated as at the date of grant using the Black-Scholes valuation model. The following tables give the assumptions made during the year ended 31 December 2016 and 31 December 2015:

2016

Nature of the arrangement	PSP scheme	PSP scheme	SAYE scheme	SAYE scheme
Date of grant	22/03/2016	22/03/2016	19/10/2016	19/10/2016
Number of instruments granted	298,504	293,574	341,164	651,534
Exercise price	£nil	£nil	£6.49	£5.77
Share price at date of grant	£8.47	£8.47	£7.21	£7.21
Contractual life (years)	3	3	3	5
Vesting conditions	See the Annual Remuneration report on page 75 in 2016 Annual Report and Accounts	See note 1 below	Three-year service period and savings requirement	Five-year service period and savings requirement
Expected volatility	n/a	n/a	26.0%	30.9%
Expected option life at grant date (years)	3	3	3	5
Risk-free interest rate	n/a	n/a	0.59%	0.59%
Dividend yield	2.8%	2.8%	3.72%	3.72%
Fair value per granted instrument determined at grant date	£7.79	£7.79	£1.19	£1.51

2015

Nature of the arrangement	PSP scheme	PSP scheme	SAYE scheme	SAYE scheme
Date of grant	26/03/2015	26/03/2015	24/10/2015	24/10/2015
Number of instruments granted	349,939	340,868	374,734	758,663
Exercise price	£nil	£nil	£6.75	£6.00
Share price at date of grant	£7.20	£7.20	£7.40	£7.40
Contractual life (years)	3	3	3	5
Vesting conditions	See the Annual Remuneration report on page 71 in 2015 Annual Report and Accounts	See note 1 below	Three-year service period and savings requirement	Five-year service period and savings requirement
Expected volatility	n/a	n/a	30.1%	33.5%
Expected option life at grant date (years)	3	3	3	5
Risk-free interest rate	n/a	n/a	1.23%	1.23%
Dividend yield	2.64%	2.64%	2.64%	2.64%
Fair value per granted instrument determined at grant date	£6.66	£6.66	£1.54	£1.76

Note
 1. Issued under the terms of the Computacenter Performance Share Plan 2006, as amended at the AGM held on 13 May 2011. One-quarter of the shares will vest if the compound annual EPS growth over the performance period equals 5 per cent per annum. One-half of the shares will vest if the compound annual EPS growth over the performance period equals 7.5 per cent and will vest in full if the compound annual EPS growth over the performance period equals 10 per cent. If the compound annual EPS growth over the performance period is between 5 and 10 per cent, shares awarded will vest on a straight-line basis. The performance period usually covers a period of three years from 1 January of the year the award is granted. A limited number of PSP awards are granted with a performance period of two years.

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

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

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

30 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2016 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2016 £'000
Cash and short-term deposits	111,770	(5,840)	–	12,746	118,676
Bank overdraft	(90)	90	–	–	–
Cash and cash equivalents	111,680	(5,750)	–	12,746	118,676
Current asset investments	15,000	15,000	–	–	30,000
Bank loans	(5)	(278)	–	(11)	(294)
Net funds excluding CSF	126,675	8,972	–	12,735	148,382
CSF leases	(4,373)	1,167	377	(648)	(3,477)
Customer-specific other loans	(1,514)	1,101	–	–	(413)
Total CSF	(5,887)	2,268	377	(648)	(3,890)
Net funds	120,788	11,240	377	12,087	144,492

	At 1 January 2015 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2015 £'000
Cash and short-term deposits	129,865	(16,113)	–	(1,982)	111,770
Bank overdraft	(719)	584	–	45	(90)
Cash and cash equivalents	129,146	(15,529)	–	(1,937)	111,680
Current asset investments	–	15,000	–	–	15,000
Bank loans	(120)	107	–	8	(5)
Other loans non-CSF	(517)	517	–	–	–
Net funds excluding CSF	128,509	95	–	(1,929)	126,675
CSF leases	(6,696)	2,193	(175)	305	(4,373)
Customer-specific other loans	(2,616)	1,089	–	–	(1,514)
Total CSF	(9,312)	3,282	(175)	305	(5,887)
Net funds	119,197	3,377	(175)	(1,624)	120,788

31 CAPITAL COMMITMENTS

At 31 December 2016 and 31 December 2015 the Group held no significant commitments for capital expenditure.

32 PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS

The Group has a defined contribution pension plan, covering substantially all of its employees in the UK. The amount recognised as an expense for this plan is detailed in note 7. Details of the Retirement Benefit obligation for Computacenter France are given in note 25.

33 RELATED PARTY TRANSACTIONS

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

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

Triage Services Limited mainly provides IT hardware repair services to many of Computacenter's customers. MJ Norris is a Director of and has a material interest in Triage Services Limited.

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

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed to related parties £'000
Biomni Limited	3	817	–
Triage Services Limited	–	1,142	55
	3	1,959	55

Terms and conditions of transactions with related parties

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

Compensation of key management personnel (including Directors)

The Board of Directors is identified as the Group's key management personnel. Please refer to the information given in the remuneration table in the Annual Remuneration report on page 75 for details of compensation given to the Group's key management personnel. A summary of the compensation of key management personnel is provided below:

	2016 £'000	2015 £'000
Short-term employee benefits	1,407	2,092
Social security costs	604	374
Share-based payment transactions	1,565	942
Pension costs	19	29
Total compensation paid to key management personnel	3,595	3,437

The interest of the key management personnel in the Group's share incentive schemes are disclosed in the Annual Remuneration report on page 75.

34 CONTINGENT LIABILITIES

The Company has given a guarantee in the normal course of business to suppliers of subsidiaries undertaking for an amount not exceeding £102.6 million (2015: £58.2 million).

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS 2016

COMPANY BALANCE SHEET

	Note	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	3	59,221	67,721
Investment property	4	17,106	17,253
Investments	5	200,590	182,389
		276,917	267,363
Current assets			
Debtors	6	130,233	43,649
Cash at bank and in hand		62	126
		130,295	43,775
Creditors: amounts falling due within one year	7	543	433
Net current assets		129,752	43,342
Total assets less current liabilities		406,669	310,705
Net assets		406,669	310,705
Capital and reserves			
Issued share capital		9,299	9,297
Share premium		3,913	3,830
Capital redemption reserve		74,957	74,957
Merger reserve		55,990	55,990
Own shares held		(12,115)	(10,571)
Retained earnings		274,625	177,202
Shareholders' equity		406,669	310,705

Approved by the Board on 13 March 2017

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY STATEMENT OF CHANGES IN EQUITY

	Issued share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Own shares held £'000	Retained earnings £'000	Total shareholders' equity £'000
At 1 January 2015	9,283	4,597	74,957	55,990	(10,760)	175,216	309,283
Profit for the year	-	-	-	-	-	123,341	123,341
Total comprehensive income for the year	-	-	-	-	-	123,341	123,341
Exercise of options	-	-	-	-	9,967	(4,635)	5,332
Share options granted to employees of subsidiary companies	-	-	-	-	-	4,670	4,670
RoV	-	-	-	-	-	(97,916)	(97,916)
Expenses on RoV	-	(753)	-	-	-	-	(753)
Issue of B shares relating to RoV	14	(14)	-	-	-	-	-
Purchase of own shares	-	-	-	-	(9,778)	-	(9,778)
Equity dividends	-	-	-	-	-	(23,474)	(23,474)
At 31 December 2015	9,297	3,830	74,957	55,990	(10,571)	177,202	310,705
Profit for the year	-	-	-	-	-	126,594	126,594
Total comprehensive income for the year	-	-	-	-	-	126,594	126,594
Exercise of options	-	-	-	-	7,449	(5,714)	1,735
Share options granted to employees of subsidiary companies	-	-	-	-	-	3,345	3,345
Issue of shares	2	83	-	-	-	-	85
Purchase of own shares	-	-	-	-	(8,993)	-	(8,993)
Equity dividends	-	-	-	-	-	(26,802)	(26,802)
At 31 December 2016	9,299	3,913	74,957	55,990	(12,115)	274,625	406,669

1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The Parent Company Financial Statements of Computacenter plc (the Company) for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 13 March 2017 and the Balance Sheet was signed on the Board's behalf by MJ Norris and FA Conophy. Computacenter plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Financial Statements are prepared under the historical cost convention.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. The results of Computacenter plc are included in the Consolidated Financial Statements of Computacenter plc which are available from Computacenter plc, Hatfield Business Park, Hatfield Avenue, Hatfield, AL10 9TW. The accounting policies which follow set out those policies which apply in preparing the Financial Statements for the year ended 31 December 2016. The Financial Statements are prepared in Sterling and are rounded to the nearest thousand pounds (£'000).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment,
- (b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations,
- (c) the requirements of IFRS 7 Financial Instruments: Disclosures,
- (e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement,
- (f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
 - (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and
 - (v) paragraph 50 of IAS 41 Agriculture.
- (g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (h) the requirements of IAS 7 Statement of Cash Flows;
- (i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (k) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (l) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The basis for all of the above exemptions is because equivalent disclosures are included in the Consolidated Financial Statements of the Group in which the entity is consolidated.

Intellectual property

Licences purchased in respect of intellectual property are capitalised, classified as an intangible asset on the Balance Sheet and amortised on a straight-line basis over the period of the licence, normally 20 years.

Depreciation of fixed assets

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

Freehold buildings	25 years
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Investment property

Investment property is defined as land and/or buildings held by the Company to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in supply of goods or services or for administrative purposes. The Company recognises any part of an owned (or leased under a finance lease) property that is leased to third-parties as investment property, unless it represents an insignificant portion of the property.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, the Company elected to measure investment property at cost less accumulated depreciation and accumulated impairment losses, if any (i.e. applying the same accounting policies (including useful lives) as for property, plant and equipment). The fair values, which reflect the market conditions at the balance sheet date, are disclosed in note 4.

Investments

Fixed asset investments are shown at cost less provision for impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Impairment of assets

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

Foreign currencies

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

Share-based payment transactions

The accounting policy in relation to share-based payment transactions is disclosed in full in the Consolidated Financial Statements. In addition to that, the financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual Financial Statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

On transition to IFRS, the Group did not apply the measurement rules of IFRS 2 to equity settled awards granted before 7 November 2002 or granted after that date and vested before 1 January 2005. However later modifications of such equity instruments are measured under IFRS 2.

Taxation

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

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

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

Own shares held

Shares in the Company, held by the Company, are classified in shareholders' equity as 'own shares held' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Merger accounting and the merger reserve

Prior to 1 January 2013, certain significant business combinations were accounted for using the 'pooling of interests method' (or merger accounting), which treats the merged groups as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations gave rise to a merger reserve in the Consolidated Balance Sheet, being the difference between the nominal value of new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's own share capital and share premium account. These transactions have not been restated, as permitted by the IFRS 1 transitional arrangements.

The merger reserve is also used where more than 90 per cent of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006.

3 INTANGIBLE ASSETS

	Intellectual property £'000
Cost	
At 1 January 2016 and 31 December 2016	169,737
Amortisation	
At 1 January 2016	102,016
Charge in the year	8,500
At 31 December 2016	110,516
Net book value	
At 31 December 2016	59,221
At 31 December 2015	67,721

4 INVESTMENT PROPERTIES

	Freehold land and buildings £'000
Cost	
At 1 January 2016 and 31 December 2016	42,350
Depreciation	
At 1 January 2016	25,097
Charge in the year	147
At 31 December 2016	25,244
Net book value	
At 31 December 2016	17,106
At 31 December 2015	17,253

Investment property represents a building owned by the Company that is leased to Computacenter (UK) Ltd a fully owned subsidiary of the Company.

The fair value of investment property amounted to £36.5 million at 31 December 2016 (£36.5 million at 31 December 2015). The fair values for disclosure purposes have been determined using either the support of qualified independent external valuers or by internal valuers with the necessary recognised and relevant professional qualification, applying a combination of the present value of future cash flows and observable market values of comparable properties. Management's most recent external valuation of this property took place in February 2016. As this property is leased to a subsidiary and is carried at depreciated cost value, an updated valuation was not sought at 31 December 2016.

5 INVESTMENTS

	Investments in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Investment £'000	Total £'000
Cost				
At 1 January 2016	302,624	2,754	25	305,403
Additions	16,155	–	–	16,155
Disposal of subsidiary	(5,545)	–	–	(5,545)
Share-based payments	3,345	–	–	3,345
At 31 December 2016	316,579	2,754	25	319,358
Amounts provided				
At 1 January 2016	120,235	2,754	25	123,014
Disposal of subsidiary	(4,246)	–	–	(4,246)
At 31 December 2016	115,989	2,754	25	118,768
Net book value				
At 31 December 2016	200,590	–	–	200,590
At 31 December 2015	182,389	–	–	182,389

Details of the principal investments at 31 December in which the Company holds more than 20 per cent of the nominal value of ordinary share capital are given in note 17 to the Consolidated Financial Statements.

6 DEBTORS

	2016 £'000	2015 £'000
Amount owed by subsidiary undertaking	130,090	43,502
Other debtors	127	127
Deferred tax	16	20
	130,233	43,649

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Corporation tax	543	433
	543	433

8 CONTINGENT LIABILITIES

The Company has given a guarantee in the normal course of business to suppliers of subsidiaries undertaking for an amount not exceeding £102.6 million [2015: £58.2 million].

The Company has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December 2016 is £0.1 million [2015: £0.1 million].

9 AUDITOR'S REMUNERATION

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

10 DISTRIBUTABLE RESERVES

Dividends are paid from the standalone Balance Sheet of Computacenter plc, and as at 31 December 2016, the distributable reserves are approximately £262 million.

DISCLAIMER: FORWARD-LOOKING STATEMENTS

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

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

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

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

GROUP FIVE-YEAR FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER

FINANCIAL STATEMENTS

ANNUAL REPORT AND ACCOUNTS 2016

GROUP FIVE-YEAR FINANCIAL REVIEW

	Including RDC 2012 £m	Including RDC 2013 £m	Including RDC 2014 £m	Excluding RDC 2014 £m	Excluding RDC 2015 £m	Excluding RDC 2016 £m
Adjusted ¹ revenue	2,914.2	3,072.1	3,107.8	3,063.3	3,054.2	3,245.4
Adjusted ¹ operating profit	79.1	82.2	86.1	80.7	87.1	86.2
Adjusted ¹ profit before tax	79.3	81.7	85.9	81.1	86.9	86.4
Statutory profit for the year	49.1	33.2	55.1	50.3	103.1	63.8
Adjusted ¹ diluted earnings per share	40.8p	43.3p	46.8p	44.1p	53.4p	54.0p
Net cash excluding CSF	147.3	90.3	128.5	128.0	126.7	148.4
Year end headcount	12,627	12,703	13,175	12,959	12,993	13,373

Note: The 2012-2014 results above are as previously reported in the 2014 Annual Report and Accounts. In addition, 2014 has been represented excluding RDC in line with 2015 and 2016 Annual Report and Accounts.

GROUP FIVE-YEAR SUMMARY BALANCE SHEET

AS AT 31 DECEMBER

GROUP FIVE-YEAR SUMMARY BALANCE SHEET

	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Tangible assets	100.7	89.0	79.9	57.1	63.0
Investment property	–	–	–	10.3	10.0
Intangible assets	104.6	98.9	90.3	81.5	76.3
Investment in associate	0.6	–	–	–	0.1
Deferred tax asset	14.4	15.2	15.1	12.8	10.5
Inventories	67.8	58.6	50.0	45.7	44.0
Trade and other receivables	573.7	667.7	695.9	621.8	740.4
Prepayments and accrued income	104.2	114.8	103.6	106.5	139.5
Forward currency contracts	[0.6]	[2.4]	2.4	2.2	8.1
Current asset investment	10.0	–	–	15.0	30.0
Cash	138.1	91.1	129.9	111.8	118.7
Current liabilities	[673.3]	[745.3]	[768.5]	[695.9]	[804.8]
Non-current liabilities	[17.9]	[22.9]	[13.2]	[7.3]	[7.9]
Net assets	422.3	364.7	385.4	361.5	428.0

FINANCIAL CALENDAR

FINANCIAL CALENDAR

Title	Date
AGM	4 May 2017
Ex-dividend date	11 May 2017
Dividend record date	12 May 2017
Dividend payment date	9 June 2017
Interim results announcement	25 August 2017

CORPORATE INFORMATION

BOARD OF DIRECTORS

Greg Lock (Non-Executive Chairman)
Mike Norris (Chief Executive Officer)
Tony Conophy (Group Finance Director)
Philip Yea (Senior Independent Director)
Philip Hulme (Non-Executive Director)
Peter Ogden (Non-Executive Director)
Minnow Powell (Non-Executive Director)
Regine Stachelhaus (Non-Executive Director)
Ros Rivaz (Non-Executive Director)

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Raymond Gray

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Printed on FSC® certified paper by an EMAS certified printing company, its Environmental Management System is certified to ISO 14001. 100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled. This document is printed on Edixion Offset, a paper containing 100% virgin fibre sourced from well managed, responsible, FSC® certified forests. The pulp used in this product is bleached using an elemental chlorine free [ECF] process.

Enabling users and their business

Computacenter is Europe's leading independent provider of IT infrastructure services, enabling users and their business. We advise organisations on IT strategy, implement the most appropriate technology, optimise its performance, and manage our customers' infrastructures. In doing this we help CIOs and IT departments in enterprise and corporate organisations maximise productivity and the business value of IT for internal and external users.



Computacenter plc

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