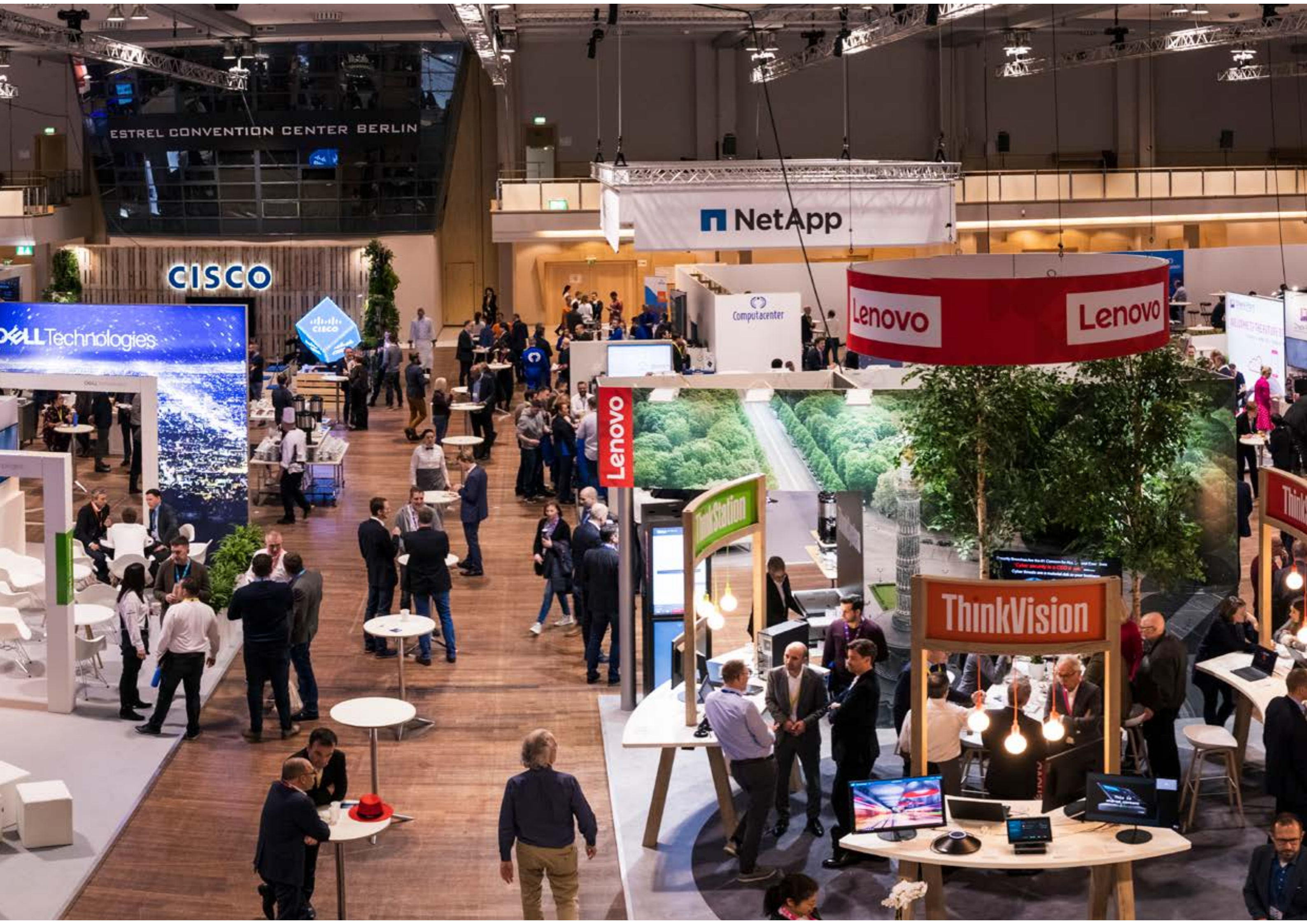
Computacenter



POWERFUL PARTNERSHIPS

Annual Report and Accounts 2018

CENTRED AROUND OUR CUSTOMERS

Enabling success by building long-term trust.

Who we are

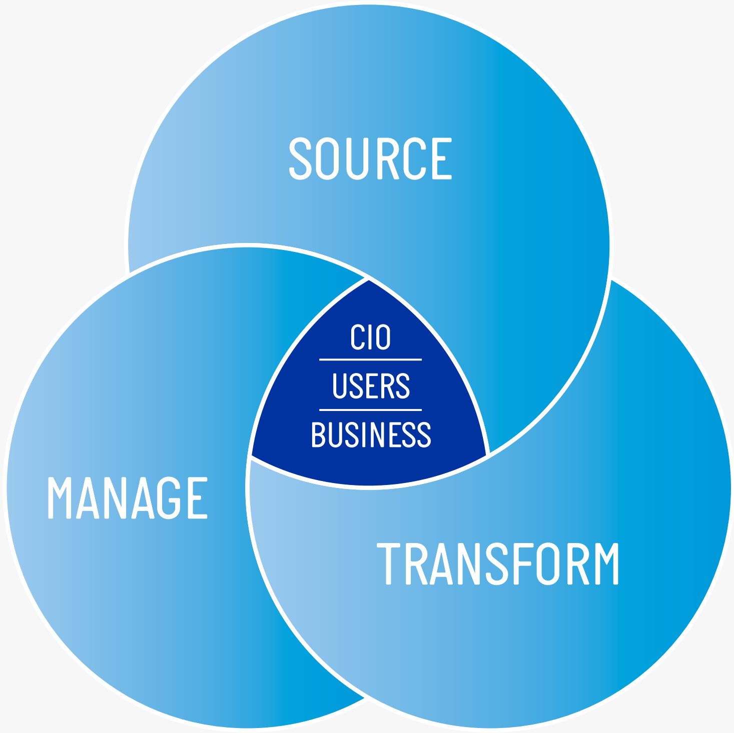
Computacenter is a leading independent technology partner trusted by large corporate and public sector organisations.

What we do

We help them to Source, Transform and Manage their technology infrastructure to deliver digital transformation, enabling users and their business.

Our ambition

- Strongly recommended by customers for the way we help them achieve their goals
- The preferred route to market for our technology providers
- People want to join and stay with us, be proud of our reputation, as we learn, earn and have fun
- Trusted as an agile and innovative provider of digital technology around the world.



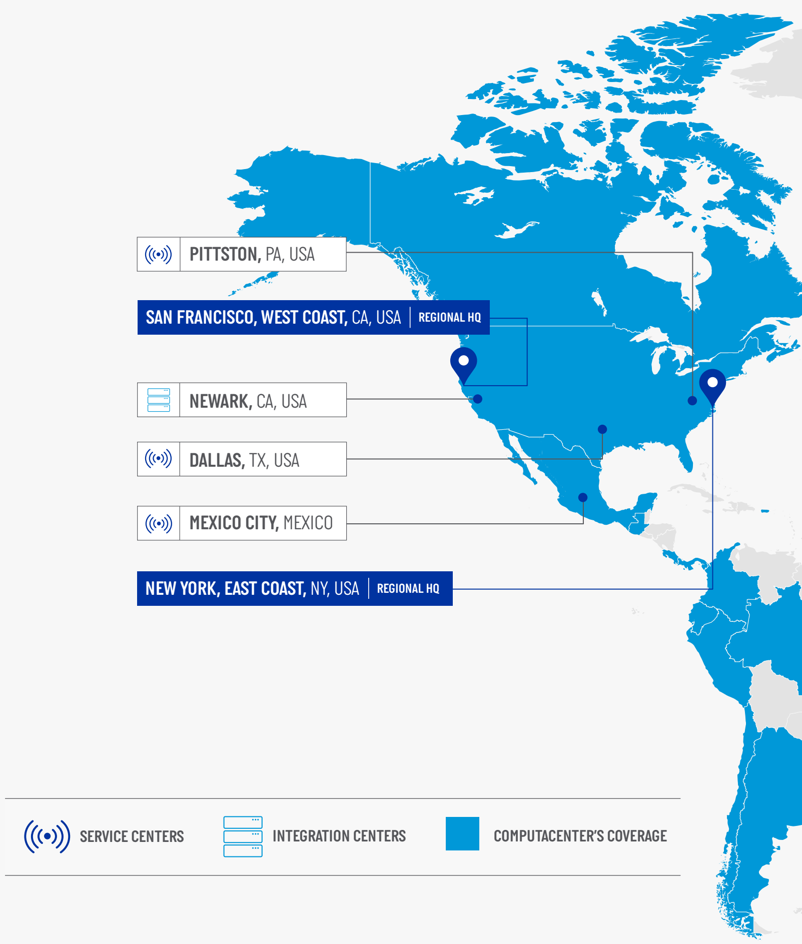
WORLDWIDE REACH AND CUSTOMER FOCUS

We sell to customers in eight countries:
UK, Ireland, Germany, France, Belgium, Switzerland, the Netherlands and USA.

We also have operations/entities in another 12 countries:
Hungary, Poland, India, Mexico, China, Spain, Malaysia, Japan, Australia, Hong Kong, Singapore and Canada.

We source for and support customers in another 50 countries.

We Source, Transform and Manage technology for our customers in 70 countries worldwide.



REVENUE CHARACTERISTICS

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

Source

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

Revenue characteristics

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

Technology Sourcing revenue £m **+20.5%**

3,177.6

2018	3,177.6
2017	2,636.2
2016	2,207.5
2015	2,067.1
2014	2,122.3

Transform

We deliver a set of proven and predictable solutions to optimise our customers' technology or expert resources to help their internal teams. This enables them to deploy digital technology effectively and achieve their business goals.

Revenue characteristics

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

Professional Services revenue £m **+0.8%**

321.9

2018	321.9
2017	319.2
2016	274.2
2015	262.8
2014	259.7

Manage

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

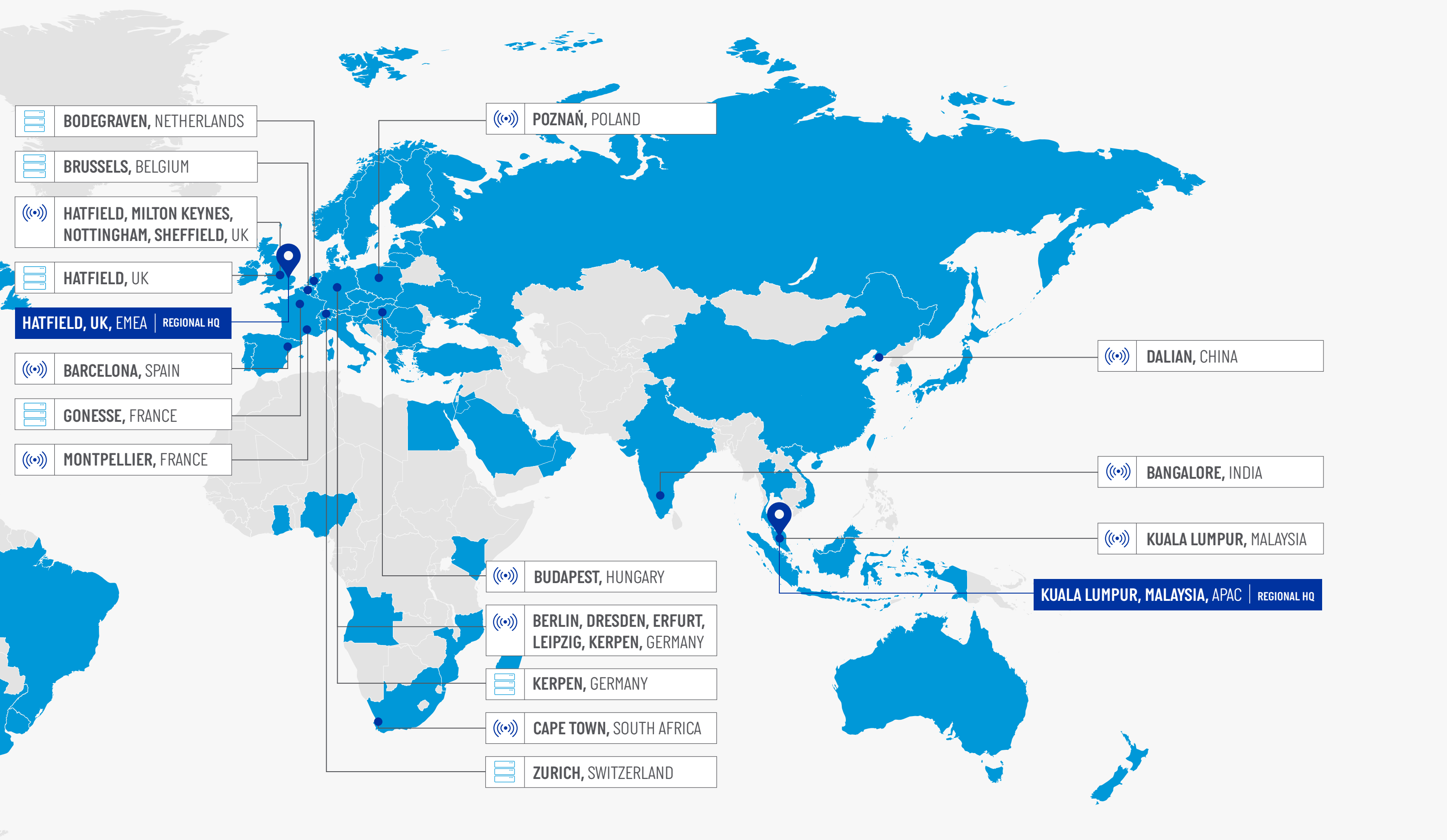
Revenue characteristics

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

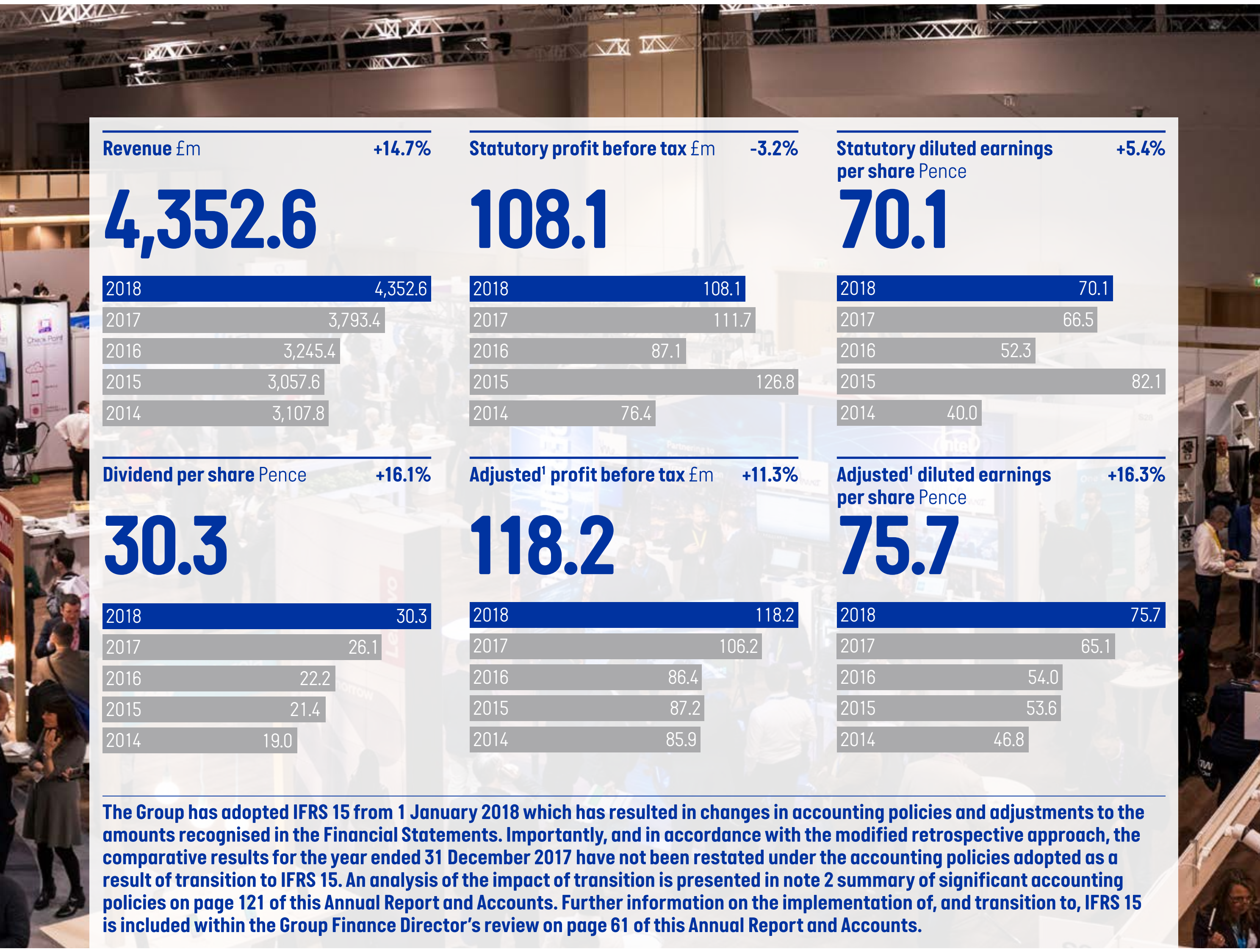
Managed Services revenue £m **+1.8%**

853.1

2018	853.1
2017	838.0
2016	763.7
2015	727.7
2014	725.8



2018 highlights



Revenue £m +14.7%

4,352.6

2018	4,352.6
2017	3,793.4
2016	3,245.4
2015	3,057.6
2014	3,107.8

Statutory profit before tax £m -3.2%

108.1

2018	108.1
2017	111.7
2016	87.1
2015	126.8
2014	76.4

Statutory diluted earnings per share Pence +5.4%

70.1

2018	70.1
2017	66.5
2016	52.3
2015	82.1
2014	40.0

Dividend per share Pence +16.1%

30.3

2018	30.3
2017	26.1
2016	22.2
2015	21.4
2014	19.0

Adjusted[1] profit before tax £m +11.3%

118.2

2018	118.2
2017	106.2
2016	86.4
2015	87.2
2014	85.9

Adjusted[1] diluted earnings per share Pence +16.3%

75.7

2018	75.7
2017	65.1
2016	54.0
2015	53.6
2014	46.8

The Group has adopted IFRS 15 from 1 January 2018 which has resulted in changes in accounting policies and adjustments to the amounts recognised in the Financial Statements. Importantly, and in accordance with the modified retrospective approach, the comparative results for the year ended 31 December 2017 have not been restated under the accounting policies adopted as a result of transition to IFRS 15. An analysis of the impact of transition is presented in note 2 summary of significant accounting policies on page 121 of this Annual Report and Accounts. Further information on the implementation of, and transition to, IFRS 15 is included within the Group Finance Director's review on page 61 of this Annual Report and Accounts.

A reconciliation between key adjusted[1] and statutory measures is provided on page 57 of the Group Finance Director's review. Further details are provided in note 4 to the Consolidated Financial Statements, segment information.

1 Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, gain or loss on disposal of investment properties, gains or losses related to material acquisitions, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale. A reconciliation between key adjusted and statutory measures is provided on page 57 of the Group Finance Director's review which details the impact of exceptional and other adjusted items when compared to the non-Generally Accepted Accounting Practice financial measures in addition to those reported in accordance with IFRS. Further detail is also provided within note 4 to the Consolidated Financial Statements, segment information.

2 We evaluate the long-term performance and trends within our strategic objectives on a constant currency basis. Further, the performance of the Group and its overseas Segments are shown, where indicated, in constant currency. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information gives valuable supplemental detail regarding our results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our prior-year local currency financial results using the current year average exchange rates and comparing these recalculated amounts to our current year results or by presenting the results in the equivalent local currency amounts. Wherever the performance of the Group, or its overseas Segments, are presented in constant currency, or equivalent local currency amounts, the equivalent prior-year measure is also presented in the reported pound sterling equivalent using the exchange rates prevailing at the time. 2018 highlights, as shown above, and statutory measures, are provided in the reported pound sterling equivalent.

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

POWERFUL PARTNERSHIPS

We are proud to have built powerful partnerships with the world's leading technology providers. These partnerships add value to our customers in making digital work, helping us to give impartial advice on the best choice of technology, how to deploy and integrate it and ensure it is managed securely and reliably. The partnerships are underpinned by significant and continuing investments in our infrastructure, the skills and experience of our people, and by the trust that we will deliver what we promise to our customers.

Strategic Report

Governance Report

Financial Statements

Front cover:
Computacenter's Technology Village at our Sales Conference in Berlin, February 2019. This gave 51 of our technology partners the opportunity to showcase their solutions and how we work together to 'make digital work' for our customers.

I AM CONFIDENT THAT OUR PEOPLE'S COMMITMENT TO HELPING OUR CUSTOMERS BE MORE EFFICIENT AND COMPETITIVE WILL REFLECT IN OUR FUTURE PROGRESS.

Greg Lock
Chairman

2018 WAS A RECORD YEAR FOR COMPUTACENTER BUT WE ARE FAR FROM REALISING OUR FULL POTENTIAL. REVENUES, ADJUSTED[1] PROFITS AND OPERATING CASH FLOW WERE VERY STRONG, BUT MORE IMPORTANTLY WE CONTINUED TO INVEST IN OUR CUSTOMER RELATIONSHIPS, EMPLOYEES AND OFFERINGS.

We were pleased to return £100 million of cash to shareholders and were given the ultimate accolade of the 'Boring Award' by trade publication TechMarketView, in recognition of 10 consecutive years of growth in adjusted[1] earnings per share.

Of great significance was our acquisition activity during the year. Two years ago we launched direct operations in the United States of America, with the intention of proving our capability to support customers before committing more investment. 2019 will see the integration of FusionStorm, enabling us to deliver our full range of customer offerings: Source, Transform and Manage. This is a significant move for us and we welcome our new colleagues and customers to Computacenter.

On a personal note I say goodbye to you all, after 11 years as Chairman – the best job I have ever had! It is time for me to hand over to Peter Ryan, who has been on our Board for a year. I am confident in his personality, experience and expertise, and I look forward to watching how our investments deliver continuous improvement in results.

I am pleased with our progress in the years I have been here, but I cannot say that I am completely satisfied. Whilst there is still much to be done, I am confident that our people's commitment to helping our customers be more efficient and competitive will reflect in our future progress. I thank them for all they have achieved and for making my time with the Company so enjoyable.

I wish all of our employees, customers, partners and shareholders fulfilment in their future plans and relationships with Computacenter.

Greg Lock
Chairman
11 March 2019

COMPUTACENTER IS ONLY AS GOOD AS THE PEOPLE THAT WE EMPLOY, SO I THANK ALL OF OUR PEOPLE FOR WHAT TURNED OUT TO BE A RECORD YEAR IN 2018.

Mike Norris
Chief Executive Officer

2018 was a very strong year for our Technology Sourcing business as, just like 2017, customers invested heavily in new technology. As we explained to investors at our conference in April, we believe customers will continue to invest in enhancing their digital workplace, increasing the speed of their networks, building out their cloud capability for their customers and, most of all, increasing their resilience against cyberattacks. These investments are significant across all industries but there has been particular investment by companies that sell Software-as-a-Service, as they build their infrastructure to meet increased demand. While individual customers will have their highs and lows in spend, we believe the general thrust in the marketplace will remain positive.

Another continuing trend is customers' desire to reduce the cost of ongoing support. This has created significant pressure in the market, as it leads to lower overall growth rates and there is less business to go around. There has been a noticeable increase in the occasions where we have not won new opportunities and seen the winning bidder suffer significantly financially afterwards. In short, the competitive pressure in the marketplace is taking people to a financial position that is unsustainable.

During 2018, we were successful with renewals, particularly where we have demonstrated innovation and cost savings to customers through the life of previous contracts. Current market conditions make it even more critical that we invest to improve our productivity and competitiveness, as we strive to be the leader in our chosen areas of expertise.

At our investor conference in April, we indicated that we saw opportunity in geographical expansion. We were therefore pleased to announce two acquisitions in the second half of 2018. In the Netherlands, we have acquired a business that has been under significant balance sheet stress. We believe that over the next few years we can establish a successful and profitable business in the Netherlands, due to revenue synergies, our expertise in this marketplace and the strength of our balance sheet. More significantly, we acquired FusionStorm at the end of September, which is our largest acquisition ever in terms of purchase price. We had indicated to investors for some time that we were interested in acquiring in the USA and we are very pleased that the acquisition fits well with our strategy and culture. In 2016, we established a significant presence in the USA by organically growing a Services business that delivered to our European customers' requirements in this market. This acquisition brings us a Technology Sourcing capability, as well as a significant number of new and exciting customers.

In 2018, we passed the landmark of 20 years as a public company. Tony Conophy, our Group Finance Director, and I have been proud to lead the business the entire time. We do, however, continually search to strengthen our Management team, to take advantage of new growth opportunities. In 2018 Mike Keogh, who has been with us since 2015, joined the Group Executive Management team to manage the combined entities of our existing and acquired business in the USA. In the middle of 2018, Arnaud Lepinois took over the responsibility of Managing Director of Computacenter France, after a handover period from Lieven Bergmans, who has stabilised the business in the last few years. We believe that Computacenter France is now in a position to grow and that a French national is better placed to source new opportunities. Lieven Bergmans is now Managing Director for what we will refer to going forwards as The Rest of Europe, which today includes Switzerland, Belgium and our newly acquired business in the Netherlands.

This time last year I announced some changes to our Management within Services. Disappointingly, this did not work out as we had expected. We have subsequently divided responsibilities between Julie O'Hara, who has been with us for the long term and who will be responsible for major Service Centers and resources, and Jim Yeats, who is new to Computacenter and who will be responsible for Service Management and major projects. They will both join my Group Executive Management team.

I would like to take this opportunity to thank our customers, who entrust us with major projects and significant support responsibility. While we are often pleased with what we achieve, we will always strive to do better. Computacenter is only as good as the people that we employ, so I thank all of our people for what turned out to be a record year in 2018. Finally, I would like to thank and appreciate our shareholders for their long-term support.

Mike Norris
Chief Executive Officer
11 March 2019

STRATEGIC HIGHLIGHTS

Our strategy has continued to drive our business forward in 2018.

1

To lead with and grow our Services business
Through key renewals, we maintained the annual Contract Base which grew by £6 million to £766 million in constant currency[2].

2

To improve our Services productivity and enhance our competitiveness
We continued our global expansion of our Service Desk and Infrastructure Operations. We established a new location in Poland, helping us to meet the needs of our German language clients.

3

To retain and maximise the relationship with our customers over the long term
Through our acquisitions, we have added 14 Group customers who generate more than £1 million per year of gross profit.

4

To innovate our Services offerings to build future growth opportunities
A high rate of renewals and some new contract additions have positioned us well to learn the lessons from several difficult contracts.

STAYING ABREAST OF CHANGES IN THE GLOBAL MARKET

Our customers need to respond faster and more effectively to business change. To stay competitive, they have to innovate and enrich the digital experiences of their users and customers.

We need to act with pace and confidence to help our customers make the most of their existing technology and select new investments that support their digital agenda in an increasingly complex and fast-changing environment.

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

In this section

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

Andreas Török
Business Lines Enterprise Director

THE GLOBAL MARKET

Four major trends are shaping our markets worldwide.

Major trend 1:

The shift to digital

Description

The requirement to connect the business directly to IT and for IT to understand how its services directly influence market share and profits continues to drive new ways of working, service delivery and productivity. This adoption of new methods such as Agile, Design Thinking, DevOps and technologies where service is primarily provided with or through software and augmented with analytics and artificial intelligence (AI), is increasing complexity for organisations. The pace of change is also rising with, for example, the proliferation of devices and apps which have ever-shorter lifecycles. Added to this, almost every digital innovation raises security and privacy risks that need to be tackled at the same time.

What this means for Computacenter

Being vendor independent remains a key strength for us, due to our ability to assess our customers' business requirements and help them to select the appropriate solution and service model, in an increasingly complex environment. At the same time, we need to keep up with the pace of innovation, so that our offering remains relevant to our customers.

Example

"IDC recently updated its forecasting of worldwide digital transformation spend, predicting that it will reach $1.97 trillion in 2022." – IDC, November 2018

Major trend 2:

Hybrid IT becomes the norm

Description

Cloud services are the forefront of the IT market's transformation, with the cloud quickly becoming a mainstay for many businesses. Most of our customers are using cloud technology in some form or another and organisations have embraced the initial benefits of increased transparency on pricing and improved time to market for IT services. Maturing cloud adopters are now seeking a balanced environment, with traditional data centers closely integrated with private and public clouds. Depending on regulatory requirements and data compliance, customers can then select the most suitable source for their specific workloads and applications.

What this means for Computacenter

Hybrid IT represents a huge market opportunity for Computacenter, both for our Technology Sourcing and our Professional Services and Managed Services businesses. Customers seek our support to Source, Transform and Manage their Hybrid IT environment. While we are investing in some new capabilities, our customers, including some hyperscalers, are already leveraging our existing investments and ability to integrate and deploy technology at scale and globally.

Example

"According to Gartner, by 2020, 75 per cent of organizations will have deployed a multicloud or hybrid cloud model for their IT needs." – Gartner, September 2018

Major trend 3:

Security risks become a business inhibitor

Description

The accelerated adoption of new and sometimes immature technologies increases the risk of security and privacy breaches. Additionally, our customers have to react to regulatory requirements and security legislation, such as the European General Data Protection Regulation. To protect themselves from financial and reputational losses and to meet compliance requirements, customers often implement rigid and fragmented security concepts that inhibit innovation and fast reactions to market changes.

What this means for Computacenter

Our strong security practice, with more than 150 security consultants, represents a competitive advantage and differentiates us from some of our competitors. We help our customers to implement a holistic security concept, allowing them to stay ahead of criminal threats and remain compliant with regulatory requirements.

Example

"Gartner expects a CAGR of 13 per cent in cloud security services from 2017 to 2022." – Gartner, Public Cloud Services End-User Spending, Q4 2018

Major trend 4:

Shortage of talent

Description

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

What this means for Computacenter

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

Example

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

See pages 36 to 38 for more on how we manage and develop our people.

THE COMPETITIVE MARKET

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

Computacenter's response to these major trends:
Computacenter has a history of adapting as the needs of our customers and the market develop.

1980–1995
Technology Sourcing led
3-4 year lifecycle
- Configuration
- Hardware resale
- Rollout services
- Maintenance
- Break/fix service level agreements
- Onsite services

1995–2014
Managed Services led
3-5 year contracts
- Extensive bidding
- Landing a large and multi-year Managed Workplace Service
- Pull-through of Technology Sourcing
- Pull-through of Professional Services
- Cross-sell to other Managed Services

2014+
Professional Services led
Hybrid IT, plug-and-play
- Users: user experience, productivity, consumerisation
- CIO: cost pressure (still), as-a-service demand, security
- Business: analytics and AI for competitive advantage
- Cloud-players take business and margins

Since 2015, Computacenter has become an enabler for digital business. We assess the business requirements of our customers and help them to select the appropriate services and solutions modules from our portfolio, to solve their specific challenges.

Market segments – Save to innovate
With IT budgets staying flat or growing very slowly, IT decision makers need to save costs in order to fund new digital initiatives. Procurement departments are typically seeking to reduce costs in traditional hardware-related services. Our responses to this trend are investments in analytics, automation and the right balance of onshore, nearshore and offshore delivery capabilities. At the same time, we help CIOs to select, implement and manage technology platforms such as hybrid clouds, big data and the Internet of Things, to become the foundation for new digital business models. Our ability to select the right solutions from a wide range of options, paired with our Security and Networking skills, put us in a good position to exploit these increasing digital business markets.

Shifting buying centres
The traditional buying centres in our industry are our customers' IT and procurement departments. However, customers are now shifting to include decision makers representing their core business units. In addition, they are introducing new roles such as the Chief Digital Officer, to bridge the gap between traditional technology sourcing and new models which have business benefits at their core, such as driving competitive advantage. While this shift is real and we are adapting with new value propositions, we believe it is happening slowly and our core services will continue to provide ongoing differentiation and genuine value for our customers.

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

Partner ecosystems
With shifting buying centres and the trend to cloud computing and Hybrid IT, customers are looking for solutions addressing their business needs and covering all aspects from infrastructure to applications, as well as business adoption. As a response, service providers will have to start building ecosystems of partners with good knowledge of future application architectures and methodologies such as Agile or Design Thinking, as well as partners with vertical specific expertise. This is an advantage for Computacenter, as we already have powerful partnerships with the world's leading technology providers and mature processes to adopt partner technologies and take them to market. We will also continue to integrate services partners into services to ensure a comprehensive service portfolio.

OUR REGIONAL MARKETS

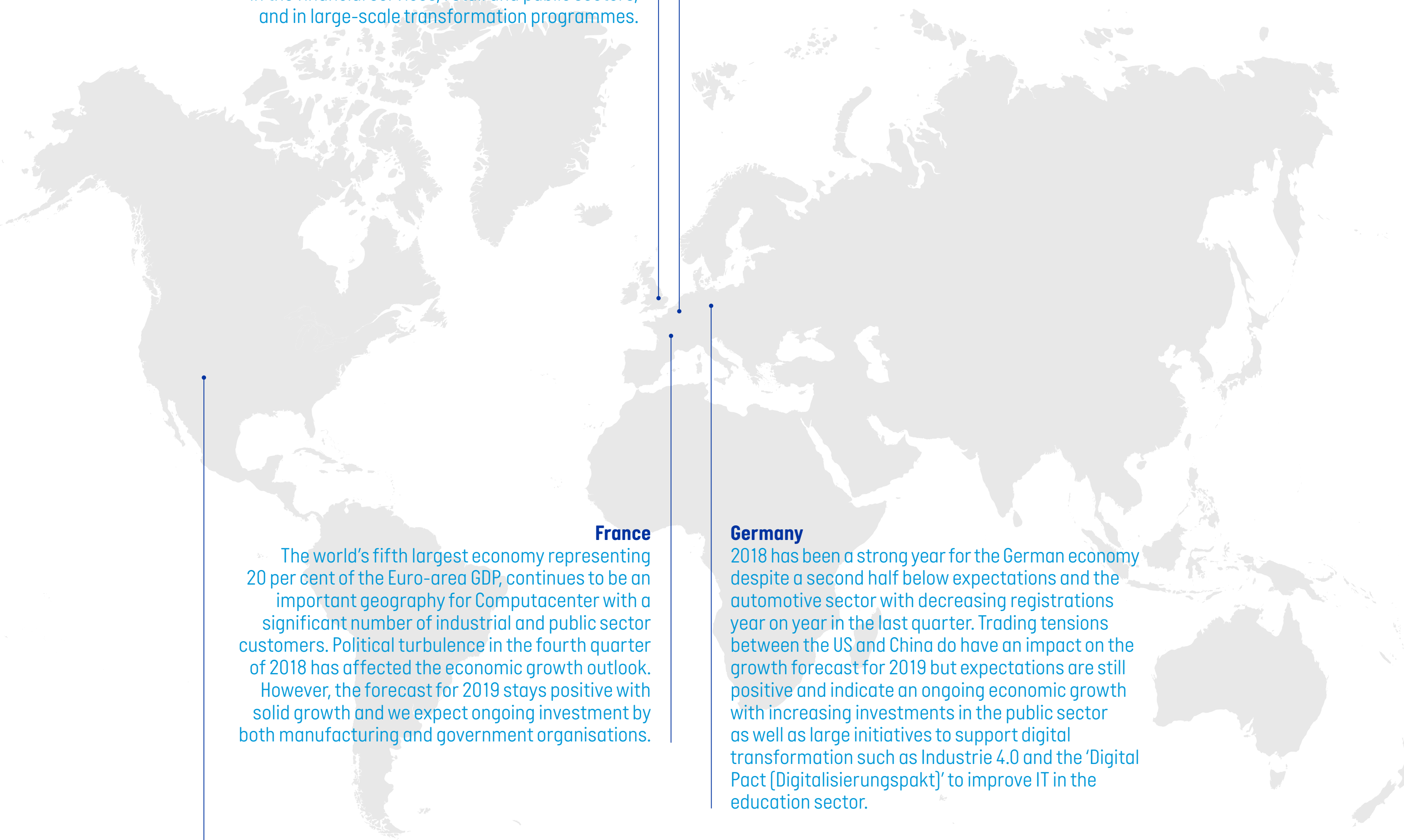
We go where our clients operate.

United Kingdom and Ireland

Economic growth in the UK and Ireland stays relatively robust despite the ongoing process of the UK leaving the European Union. The IT infrastructure services market is growing at a moderate rate and is expected to stay stable. CIOs are continuously looking to fund digital initiatives through savings in non-strategic operational areas and are also moving towards cloud services, with the help of external providers. There are growth opportunities in the financial services, retail and public sectors, and in large-scale transformation programmes.

Rest of Europe (Switzerland, Belgium and the Netherlands)

Economic growth is still stable in our Rest of Europe countries, with markets in the Netherlands being most fragile. With Belgium's production deeply embedded in global value chains and the financial sector in Switzerland remaining key for both the market and Computacenter, overall forecasts are positive for these markets.



France

The world's fifth largest economy representing 20 per cent of the Euro-area GDP, continues to be an important geography for Computacenter with a significant number of industrial and public sector customers. Political turbulence in the fourth quarter of 2018 has affected the economic growth outlook. However, the forecast for 2019 stays positive with solid growth and we expect ongoing investment by both manufacturing and government organisations.

Germany

2018 has been a strong year for the German economy despite a second half below expectations and the automotive sector with decreasing registrations year on year in the last quarter. Trading tensions between the US and China do have an impact on the growth forecast for 2019 but expectations are still positive and indicate an ongoing economic growth with increasing investments in the public sector as well as large initiatives to support digital transformation such as Industrie 4.0 and the 'Digital Pact (Digitalisierungspakt)' to improve IT in the education sector.

USA

After 2018's high growth, supported by the tax-cut stimulus in 2017, the US economy is expected to cool down in 2019. The current trade dispute with China does affect investments by our customers. However, the US tech industry including Computacenter partners such as Microsoft, Amazon and Cisco still expect a solid year with significant growth rates in many areas.

EVOLVING A DIFFERENTIATED AND COMPLETE CUSTOMER OFFER

Our customers are confident in our skills and capabilities to help them make the right choices in the complex and fast-changing world of digital technology. To maintain this trust we invest to stay relevant and competitive and ensure we have a complete offering of Services capable of delivering at scale.

This section explores Computacenter's breadth of capability supporting the complete lifecycle for IT infrastructure and how it underpins our go to market messaging in the form of three strategic propositions: Digital Me, Digital Power and Digital Trust.

In this section

- Our complete customer offer
- Our breadth of skills
- Our Service Centers
- Our strategic propositions

Nat Ives
Managed Services Strategy & Innovation Director

OUR COMPLETE CUSTOMER OFFER

Our comprehensive capabilities help customers to Source, Transform and Manage digital technology across the domains of End User, Data & Analytics, Cloud & Data Center, Networking and Security.

Source

Our powerful partnerships with the leading technology providers in the market allow us to help our customers to make informed and wise choices in the selection of digital technology. With our investments in our Integration Centers, underpinned by our people, systems and processes, we can then help our customers to integrate and deploy digital technology at scale across the world. Increasingly, our customers are asking us to take more responsibility in this area and help them deliver faster both for their end users and to underpin the digital strategies for their businesses.

Transform

By combining our technology partners with our own project managers, consultants, engineers and test facilities we support customers from initial planning through to their digital transformations going live.

We provide holistic solutions and services, within or across the five technology domains, which enable genuine realisation of business goals. Our engagements range from long-term, complex transformation programmes to shorter-term or expert-leasing based consulting and implementation engagement.

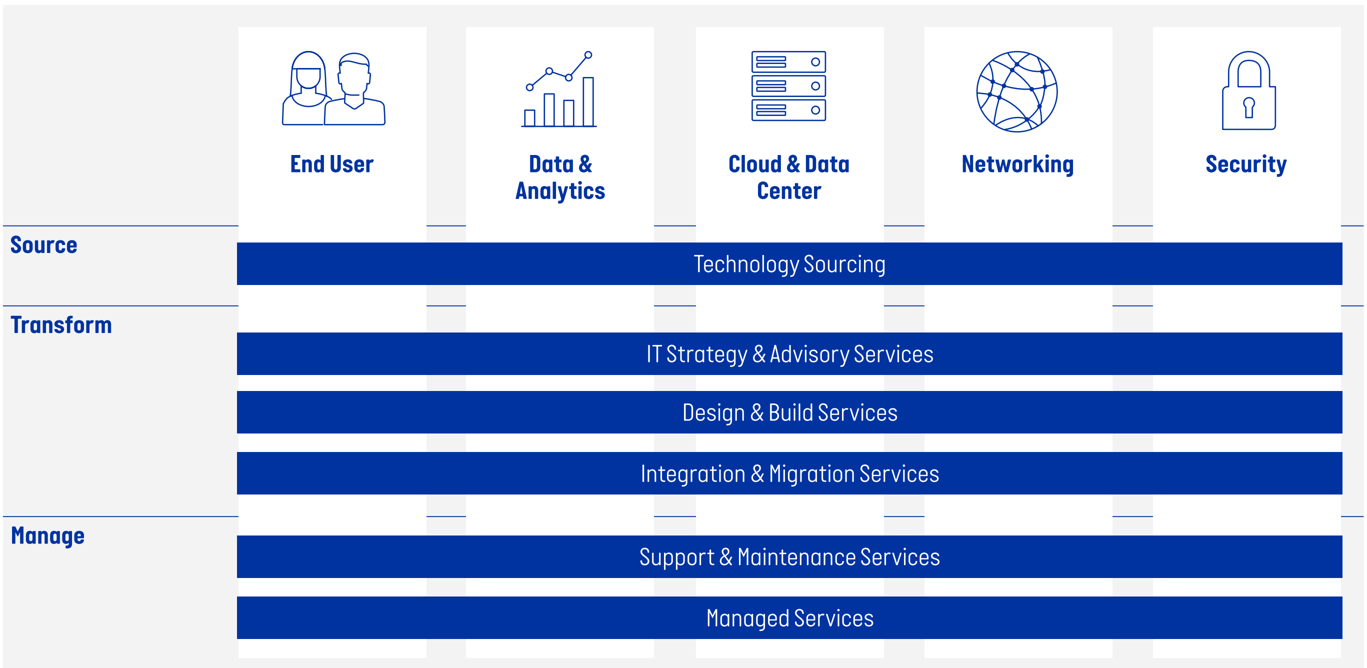
Manage

We use a broad range of operational skills, across a network of international Service Centers and distributed engineering teams, to operate and manage customers' IT infrastructure. This increases quality and flexibility, while reducing costs. Our award-winning Service Desk offering and a relentless focus on end users drive engagement and enablement for over 3.7 million users globally.

In the end user domain in particular, we increasingly sell a defined Managed Service, with related service level agreements and either fixed or consumption-based pricing. Where customers want more flexibility or control, we also provide support and skills on a more transactional basis. Complementing our Technology Sourcing services, we offer a range of product lifecycle and maintenance services, often on a per-device basis.

BREADTH OF SKILLS

Our portfolio of Sourcing, Transformation and Managed Services spans across all relevant infrastructure areas ensuring our customers have access to a reliable, secure and flexible technology platform to accelerate their business.



OUR SERVICE CENTERS

Our Service Centers deliver a range of shared and dedicated capabilities including:

Service Desk

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. Our global Service Desks handle over 1.2 million contacts per month, using 30 languages, at a price point and quality tailored to meet customer priorities. We leverage analytics, chatbots and intelligent automation to improve our agent productivity and each end user's experience.

Remote Infrastructure Management

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 virtual servers to user devices, our infrastructure services manage and improve availability, performance and security.

Network Operations Center

Our Network Operations Center optimises our customers' network performance and availability, to enable productive end users and reliable connectivity for business services.

Cyber Defence Center

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

OUR STRATEGIC PROPOSITIONS

We reflect the voice of the customer by consolidating our broad portfolio of capability into three strategic go-to-market propositions designed to address an emerging market trend with a specific value proposition and vision:

- Digital Me – Digital Workplace
- Digital Power – Hybrid IT
- Digital Trust – Security

Digital Me

We design, build and run secure, accessible digital workplaces that drive productivity and employee engagement for our customers. These are differentiated through a user-centric approach and increasingly powered by analytics, AI and automation to drive down cost to serve.

DIGITAL Me
IT designed for people

Digital Power

We provide sourcing, advisory and support services that help our customers to navigate the complex journey towards a hybrid and multi-cloud future and create the digital platforms that power their businesses. For some, this means building out platforms that support the rapid growth that their success in the global digital economy is delivering.

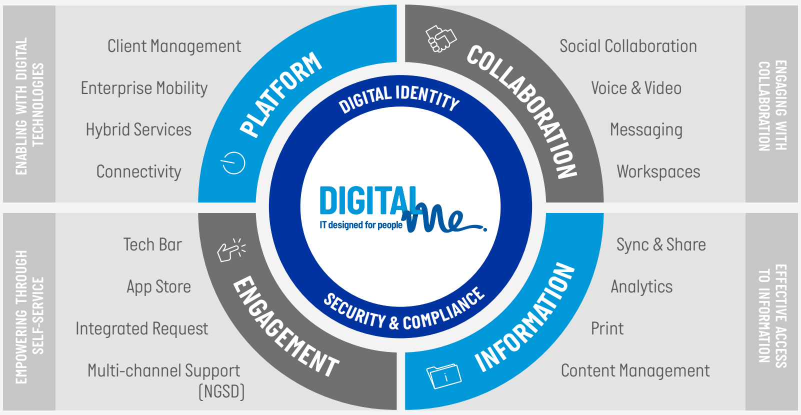
DIGITAL Power.
Cloud accelerating business

Digital Trust

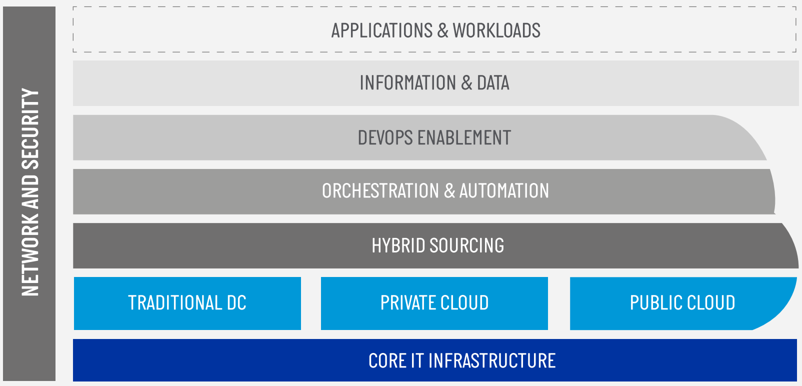
Our customers face an ever-expanding cyber-threat landscape, more demanding compliance requirements and a shortage of security talent to address it. We have the skills and partnerships to deliver complete security solutions, from End Point and Infrastructure Security through to Cyber Defence. We enable public sector, industry and service organisations to undertake digital transformation securely.

DIGITAL Trust.
Mastering business security

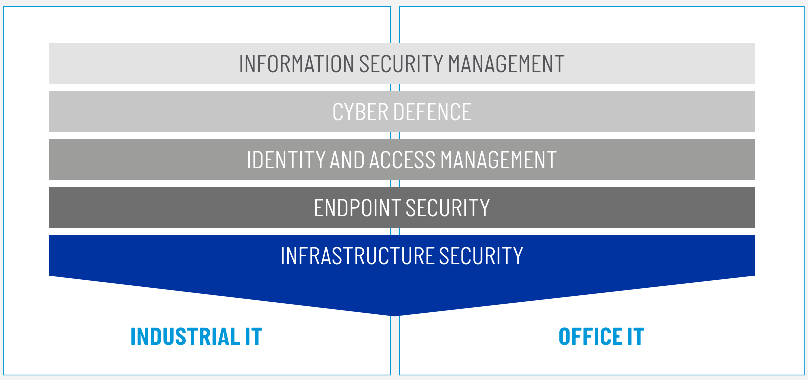
- Workstyle Analysis
- Adoption
- Service Desk
- End User Experience Management
- Client Computing including Windows 10 Evergreen
- Enterprise Mobility
- Virtual Desktop
- Communication and Collaboration
- Application Lifecycle
- End User Connectivity and Local Area Networks
- Digital Signage
- Print



- Analytics and Big Data
- Service Management Platforms
- Cloud Native Platforms
- Multi-Cloud (Public)
- Hybrid Cloud
- Server and Storage
- Converged and Hyperconverged Infrastructure
- Software Defined Infrastructure and Networks
- Data Center Networks



- End Point Security
- Infrastructure Security
- Information and Industrial Security
- Cyber Defence
- Information Security
- Identity and Access
- Production Networks



THE IMPORTANCE OF TECHNOLOGY SOURCING IN MAKING DIGITAL WORK

Fundamental drivers in the market are underpinning growth in our Technology Sourcing business across all our operating countries. The drive to digitise their businesses is forcing our customers to invest more in technology. Specifically, they are looking to:

- Modernise their workplaces to enable users through better technology that attracts and retains talent, makes them more collaborative and drives closer customer proximity (Digital Me)
- Transform their legacy applications, data centers and processes and adopt cloud technology, to be more scalable, flexible and agile (Digital Power)
- Ensure that their networks and communications can support their digitisation and future operational models and that everything is secure (Digital Trust)

Our ability to support customers across the entire hardware and software lifecycle and to act as a partner who can deliver at scale, increasingly globally, is allowing us to increase market share.

Kevin James
Group Chief Commercial Officer

Integration Center, Hatfield, UK

We have invested for the long term and this has increased our geographical coverage, through the acquisitions of Misco Solutions B.V. in the Netherlands and FusionStorm in the USA. This increased coverage strengthens our ability to execute at scale and to meet our customers' requirements to transform at speed.

Our investment in Integration Centers, Professional Services skills, powerful partnerships with our vendors and full lifecycle services allows us to execute with precision and accuracy, in often complex supply chains. Our experience and investments in innovation allow us to take solutions to our customers that transform their thinking and ability to deliver transformation.

Making it work for customers

A hyperscale cloud provider fitted out new data centers across Europe, to meet its huge customer demand and to comply with the new General Data Protection Regulation (GDPR) requirements during the year. The lead time to install data center racks was over 80 days, putting strain on the procurement and IT operations teams. Our ability to innovate and execute at scale, drawing on our expertise, facilities, relationships and skills, enabled us to reduce the lead time to under 10 days. This allowed the customer's teams to meet demand faster and to focus on future capacity planning, to support its dramatic growth.

For another customer, we deployed many components of our 'Digital Me' workplace proposition to undertake a complete global refresh for 55,000 devices. This included a Windows 10 transformation programme and our innovative 'Evergreen' support service, which ensured the customer had the latest Microsoft technology deployed, so it was more agile and secure. Corporate demand for Windows 10 transformation is likely to be a significant driver over the next year, with the end of support for Windows 7 and demand for modern devices that fit a user's working digital persona.

Customers are also entering the next phase of digital connectivity. Artificial Intelligence, big data analytics, Internet of Things and cloud technology automation are moving more rapidly than ever before. These trends are also driving upgrades to network and security that are among our core areas of expertise. Modern secure wireless networks, software-defined networking solutions and a complete holistic security proposition are significant growth areas.

A leading financial services organisation required a campus-based network transformation to underpin a cultural shift to remote and non-desk-based working, based on deployment of new mobile devices. The legacy user connectivity environment was complex, unreliable and operationally inefficient. Computacenter implemented a software-defined network, leveraging advanced user authentication and automation to move the organisation to a 'wire free' environment, simplifying the network and transforming the secure connected user experience.

In Germany, we installed a proactive anti-virus solution for part of the Federal Government to better protect more than 60,000 users. This has eliminated the risks they faced from receiving several thousand infected emails every day, making them more secure and productive. We delivered a proof of concept, rollout and a complete security Managed Service to secure the customer's emails and website.

The rapid move to software-driven cloud solutions is proving complex for many customers. Our software lifecycle management services have helped customers facing the challenges of new and increasingly complex licensing contracts. For a major global bank, we provided licensing, consultancy and strategy advice, which enabled them to have an informed position ahead of a major renewal. This included benchmarking and dedicated resources to help the customer reduce complexity and significantly cut the cost of their new contract.

Technology Sourcing is a service

We integrate and deploy across End User, Data Centers, Networking and Security. Our investment in Integration Centers in the UK, Germany, France, Belgium, the Netherlands and USA gives us the scale to meet even the most demanding customer requirements.

Multi-vendor integration into customer-specific solutions allows us to plan, create, execute and deliver outcomes that meet customers' exact demands.

For example, we transformed the new starter process for a leading financial services company. This allowed the customer to offer technology choice at the recruitment stage and delivered a comprehensive 'Digital Me' enabled user experience when they started. Devices, phone, applications and user enablement were all packaged and delivered in a controlled process.

For a leading cloud provider, we integrated over 27 different vendor technologies in racks, to deploy to its European data centers.

New Kerpen Integration Center

We are delighted to have successfully migrated to our new Integration Center in Kerpen, Cologne in 2018. It will be formally opened in April 2019 and provides us with considerably more capacity to meet the growth needs of our European businesses and provide enhanced services to our customers.

The new facility, comprising our German headquarters office building and a 29,600m^2 Integration Center, provides a considerable upgrade in capability and capacity from our existing facility.

MULTI-VENDOR INTEGRATION FOR CUSTOMER NEEDS


Data Center and Network deployment


Volume configuration


Total solution configuration e.g. 'store in a box'


Volume deployment


Mobility – User readiness


New Kerpen Integration Center

Powerful partnerships

Computacenter is one of the largest partners worldwide for most of the major technology vendors. We invest heavily in working closely with our partners, to ensure we can effectively help our customers to Source, Transform and Manage their IT infrastructure. The breadth and depth of our vendor partnerships allows us to help our customers navigate the complexity and speed of change in the current market.

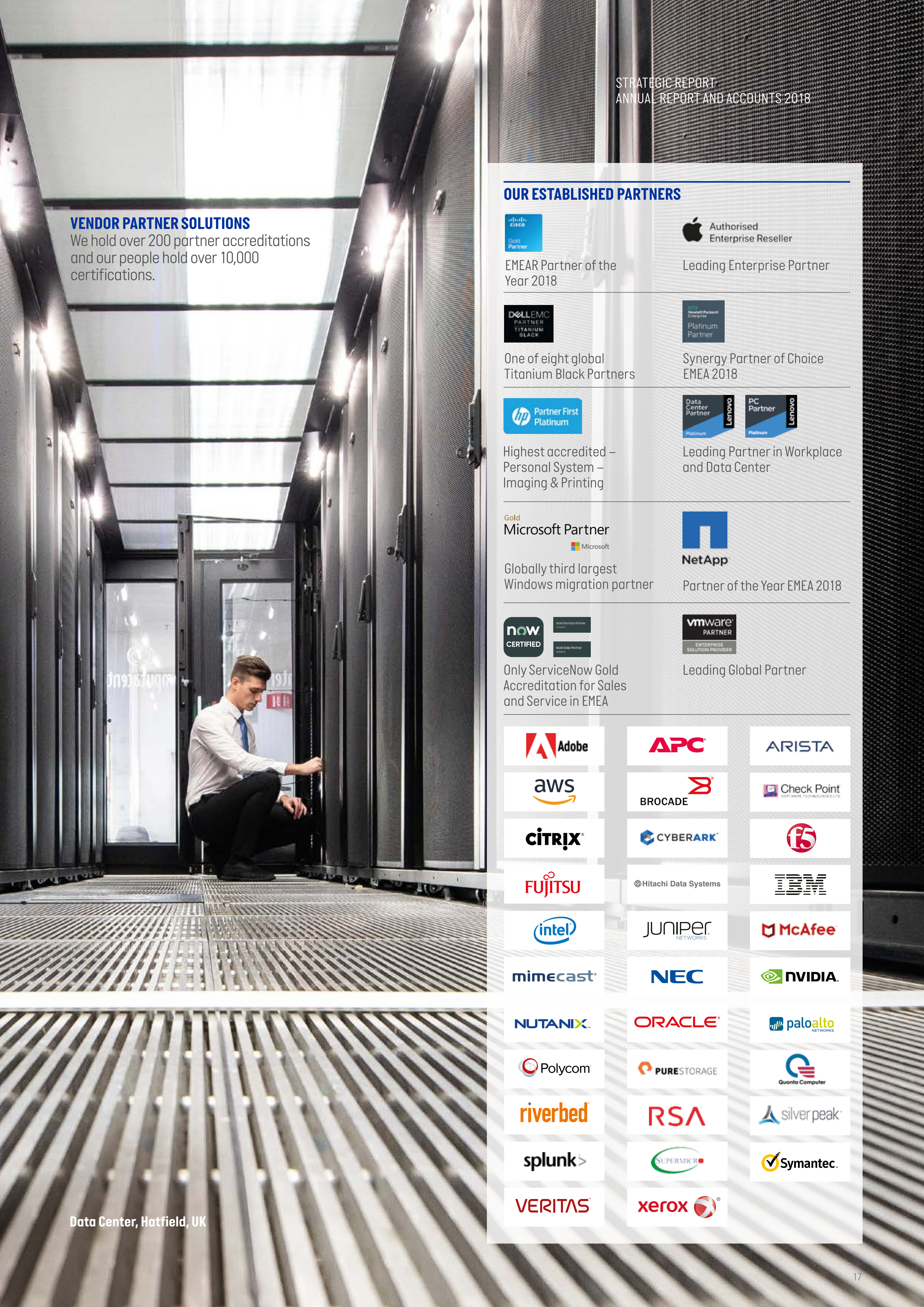
Our expertise in our partners' solutions is unrivalled, with our people holding more than 10,000 certifications. Our strong working relationships, our desire to collaborate and seek innovation and new services helps us remain relevant, so we are increasingly seen as the partner of choice.

We are not just working with our established partners, there is increasing demand for new vendors and innovative approaches, which are often integrated with core vendor technology to provide complete solutions. The FusionStorm acquisition in the USA has already widened our partner network and introduced us to some innovative solutions, which we look forward to extending across the Group.

Our ability to design, source, integrate, deploy and support means we can add material value in delivering new digital solutions. This is reflected in another year of awards and recognition across the Group.

For example:

- Cisco – EMEAR Partner of the Year Award 2018
- Cisco – EMEAR Architectural Excellence Partner of the Year: Security 2018
- Cisco – Germany – Enterprise Partner of the Year 2018
- Symantec – EMEA Partner of the Year 2018
- Microsoft Modern Desktop Manager – one of only six Global Launch Partners



VENDOR PARTNER SOLUTIONS

We hold over 200 partner accreditations and our people hold over 10,000 certifications.

Data Center, Hatfield, UK

OUR ESTABLISHED PARTNERS

Cisco Gold Partner – EMEAR Partner of the Year 2018

Apple Authorised Enterprise Reseller – Leading Enterprise Partner

Dell EMC Partner Titanium Black – One of eight global Titanium Black Partners

Hewlett Packard Enterprise Platinum Partner – Synergy Partner of Choice EMEA 2018

HP Partner First Platinum – Highest accredited – Personal System – Imaging & Printing

Lenovo Data Center Partner Platinum / PC Partner Platinum – Leading Partner in Workplace and Data Center

Gold Microsoft Partner – Globally third largest Windows migration partner

NetApp – Partner of the Year EMEA 2018

now CERTIFIED – Only ServiceNow Gold Accreditation for Sales and Service in EMEA

vmware PARTNER ENTERPRISE SOLUTION PROVIDER – Leading Global Partner

Adobe	APC	ARISTA
aws	BROCADE	Check Point
CITRIX	CYBERARK	f5
FUJITSU	Hitachi Data Systems	IBM
intel	JUNIPER NETWORKS	McAfee
mimecast	NEC	NVIDIA
NUTANIX	ORACLE	paloalto NETWORKS
Polycom	PURESTORAGE	Quanta Computer
riverbed	RSA	silver peak
splunk>	SUPERMICRO	Symantec
VERITAS	xerox	

HOW WE CREATE SUSTAINABLE VALUE

Mo Siddiqi
Group Development Director

Computacenter is a trusted technology partner to large corporate and public sector organisations. We help them to Source, Transform and Manage their technology infrastructure to deliver digital transformation, enabling users and their business.

Our business model is customer-centric, based on enabling success by building long-term trust with our customers, our people and our partners. This underpins our value to our communities and our shareholders. In doing so, we leverage our long-term investment in our infrastructure and physical assets and place great confidence in the depth of skills and knowledge of our teams.

Our customers
We deliver digital technology to some of the world's greatest organisations. Our target market is the largest 500 corporate and government organisations in each of the eight countries in which we sell. Our operational model supports this aim through having account managers, sales specialists, consultants, project and service managers aligned to our customers to build strong customer intimacy. We give our customer teams the freedom to make responsible decisions that meet customer needs faster. The majority of our customers have been trading with us for over 10 years, showing the value of these trusted relationships and the value of our financial stability. We have a balanced spread of business with most of our customers, supporting them with Technology Sourcing, as well as Professional and Managed Services as each part of our portfolio supports the other.

More information about how we create value on pages 10 to 13.

Our people
Together, we have created a can-do culture where people matter and are encouraged to thrive. Computacenter employs more than 15,000 people worldwide. This includes more than 4,200 engineers, 4,000 support staff in our Service Centers, 1,600 project and service managers and 800 consultants. Between them, our teams hold over 10,000 technical certifications as well as 200 partner accreditations in project and service methodologies. These service delivery teams are backed by the skills experience of our sales and business services teams. Our aim is that people want to join and stay with us, be proud of our reputation, as we learn, earn and have fun.

More information about how we attract, retain and develop our people on pages 36 to 38.

Our partners
We have built powerful partnerships with most of the world's leading technology providers, who can rely on our reach and scale. We are among the largest partners in EMEA for each of the technology providers and are also being recognised for our achievements at a global level. We use our technology understanding to build solutions for our customers across all parts of our portfolio. We aim for our customers to be confident in our skills and solutions and trust in our independence and experience. This means we can help our customer to make wise choices in a complex and changing world.

More information about our partners and Technology Sourcing on pages 14 to 17.

Our brand
Our brand and reputation are underpinned by our Winning Together values: we maintain a strong brand by putting customers first, being straightforward, keeping promises and considering the long term, while understanding that people matter and inspire success. Our goal is 'Enabling Success' by building long-term trust with our customers, people and partners. We aim to be strongly recommended by customers for the way we help them achieve their goals ensuring customer referenceability. Where we make acquisitions, we usually transition the acquired business quickly to the Computacenter brand and embed our values.

More information about our values can be found on page 37.

Our infrastructure and physical assets
We have operations in 20 countries and source for and support customers across 70 countries worldwide. Our customers demand that our operations are delivered to high industry standards and we have a range of ISO certifications including ISO 2001, ISO 20001, ISO 14001 and ISO 27001.

Our Service Centers on the inside front cover map help us to support our end user-focused Managed Service contracts and are underpinned by a common technology infrastructure to allow customers to be supported by multiple centers. In 2019, we opened our latest Service Center in Poznan, Poland.

Our Integration Centers on the inside front cover map allow us to stage, test and integrate technology for our customers. Our new Kerpen Integration Center is designed using our knowledge and over 30 years of experience to be amongst the leading facilities of its type. Our US acquisition now enables us to address the local market via our Integration Center in Newark, CA, in the heart of Silicon Valley.

In addition, we have a number of underlying systems that support our business, including our SAP ERP solution, systems that connect us to our customers' sourcing functions, and systems that underpin our Managed Services.

We also translate our experience into intellectual property such as Inventox, the Computacenter rollout and process automation tool, and integrate it with vendor products to create differentiated service offerings such as Windows 10 Evergreen.

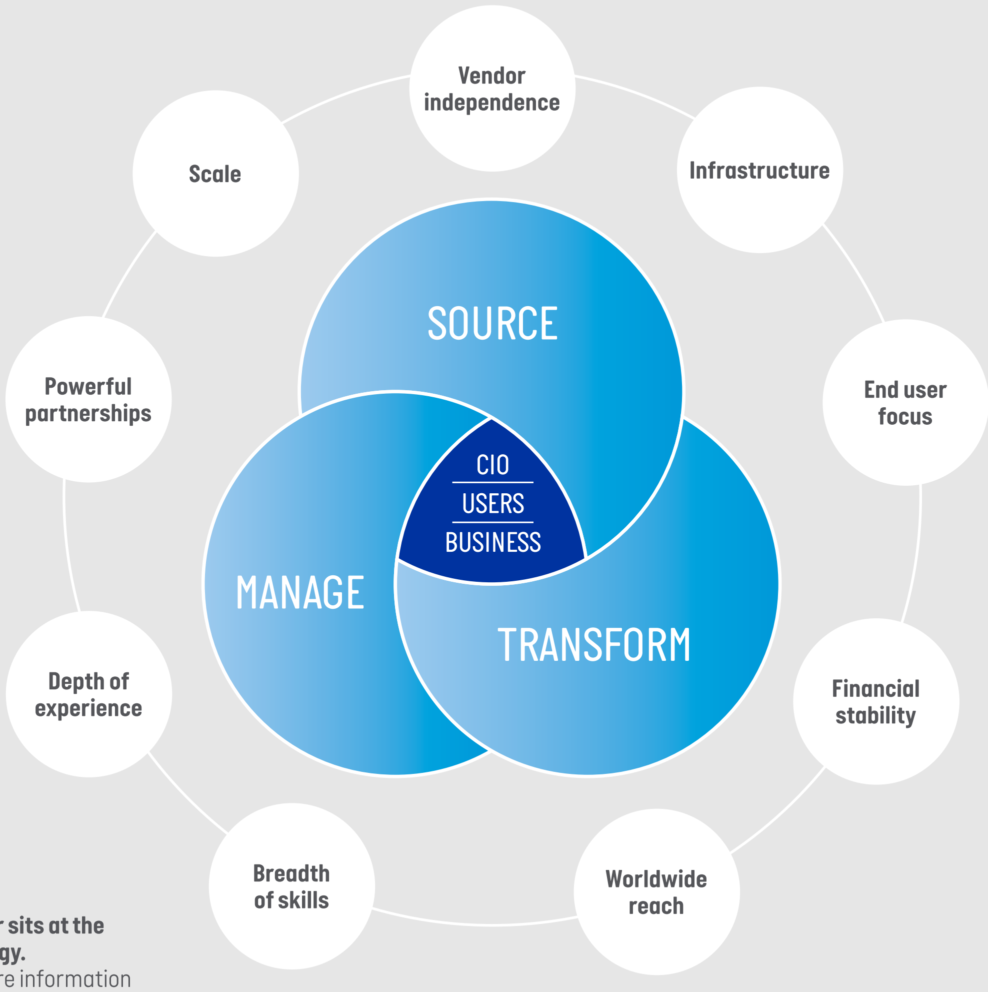
BUSINESS MODEL AT A GLANCE

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

OUR RESOURCES AND RELATIONSHIPS

- Our customers
- Our people
- Our partners
- Our brand
- Our infrastructure and physical assets

OUR LEVERAGE



Our customer offer sits at the heart of our strategy.
See page 11 for more information

CREATING VALUE FOR ALL STAKEHOLDERS

- Our customers
- Our people
- Our communities
- Our partners
- Our shareholders

ALIGNING OUR CUSTOMER OFFER WITH OUR MARKETPLACE

Group headquarters, Hatfield, UK

HOW IT ALL FITS TOGETHER

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

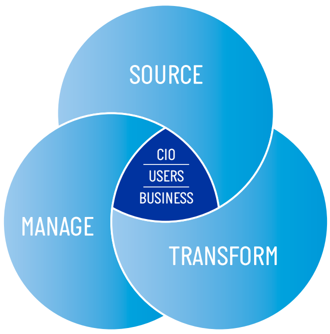
Our four strategic objectives	**Strategic objective 1:** To lead with and grow our Services business	**Strategic objective 2:** To improve our Services productivity and enhance our competitiveness	**Strategic objective 3:** To retain and maximise the relationship with our customers over the long term	**Strategic objective 4:** To innovate our Services offerings to build future growth opportunities

Major trends

Major trend 1: The shift to digital
Major trend 2: Hybrid IT becomes the norm
Major trend 3: Security risks become a business inhibitor
Major trend 4: Shortage of talent

Our customer offer

END USER	DATA & ANALYTICS	CLOUD & DATA CENTER	NETWORKING	SECURITY



Alignment to relevant principal risks and uncertainties	Strategic objective 1	Strategic objective 2	Strategic objective 3	Strategic objective 4
Strategic	✓	✓	✓	✓
Contractual/Operational	✓	✓	✓	✓
Infrastructure	✓	✓	✓	✓
Financial	✓	✓	✓	
People	✓	✓	✓	✓

Measuring success Why this is important to Computacenter:	**Services Contract Base** With an ever increasing demand from our customers to make digital work, we are confident of continuing to grow our Services Contract Base in 2019.	**Services revenue generated per Services head** Our relentless focus on finding the most effective and cost efficient method of helping our customers with their technology challenges is key to our competitiveness and hence our future growth agenda.	**Number of customer accounts** Analysing growth in the number of customers generating more than £1 million of profit shows that profitability increases at the same rate, demonstrating the importance of these customers to our bottom line.	**Services revenue** The Services business is strategically relevant in two ways: Managed Services are the prerequisite for long-term customer relationships and retention, whereas Professional Services give us visibility and recognition, by helping the CIO to make his IT infrastructure suitable for digital services.
Linked to remuneration	✓	✓	✓	✓

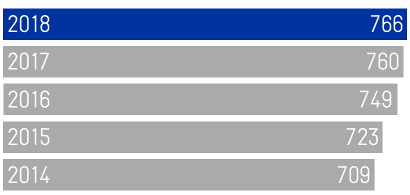
Strategic objective 1

To lead with and grow our Services business

Services Contract Base £m

766

+0.8%



Description

Over the last three years, we have created a central Group function that brings together some of our key resources, tools and processes focused on bidding. It aims to grow our Services business beyond market rates, whilst ensuring we take a disciplined approach to contract quality. This is crucial, as the Services market is highly competitive and winning bidders can suffer significantly financially if they price contracts too low. The function incorporates design, architecture, solution and sales resources, supported by enabling functions such as account-based marketing. It has helped to share best practice and lessons learned, contributing to key new wins and renewals.

Progress in 2018

Through key renewals in 2018, we maintained the annual Contract Base which grew by £6 million to £766 million. We were particularly pleased with the number of major renewals. Renewals can suppress the Contract Base, as customers look for price reductions. However, this can often be offset by increasing the scope of our activities. The acquisition in the Netherlands has added £18 million of Services Contract Base, bringing the Group total to £784 million.

Target for 2019

In 2019, the market will remain competitive and price sensitive, as customers look to reduce the cost of IT support and competitors continue to be squeezed in a low-growth environment. It is therefore critical that Computacenter maintains high levels of professionalism and quality, and that we price as competitively as possible, while always keeping the long term and commercial viability in mind. While this requires a strong nerve, we believe our competitiveness and focus on the long term will prove successful in the fullness of time and competitors will fall by the wayside.

Why this is important to Computacenter

With an ever-increasing demand from our customers to make digital work, we are confident of continuing to grow our Services Contract Base in 2019.

How we define Services Contract Base

This is our forward order book of committed Managed Services spend as at the year end. The prior year comparatives are restated on a constant currency[2] basis, to provide a better indicator of underlying growth.

Strategic objective 2

To improve our Services productivity and enhance our competitiveness

Services revenue generated per Services head £'000

89

-1.1%

2018	89
2017	90
2016	89
2015	93
2014	92

Description

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

Progress in 2018

In 2018, we expanded our offshore service desk operations. We successfully opened a new low-cost German language service desk location in Poland, and grew our operations in a number of locations, not least Mexico City, Montpellier and Cape Town. While these operations often expand with new customers, it is more common to see our customers feel comfortable with us moving operations that we originally performed onshore to lower cost locations, as they gain confidence in our ability to deliver. This often happens at contract renewal.

We have established a strong global automation team based in Budapest, Hungary, where we look to use the latest technologies, particularly robotics, to automate customer-specific processes, increasing accuracy and reducing cost. While we do not believe automation is a 'silver bullet' that will immediately change the way in which we deliver services, it will change the way we operate over time and as such it is critical that Computacenter continues to innovate and understand what is available.

In the Professional Services area, we saw good growth in Germany and high utilisation, which has enhanced productivity. However, rework required on some UK projects has dampened productivity and played a significant part in the small reduction in the productivity measure seen this year.

Target for 2019

Improved performance of the UK Professional Services business should have a positive effect on productivity, with the measure bouncing back from the poor performance in 2018. We also expect the German Professional Services business to continue the progress we have made in recent years.

2019 will be a year of significant investment in Service Desk technology, as we deploy what we call 'GSD2.0' and seek to increase our agents' productivity. This new technology will, amongst other things, give our agents a better call history when customers place service calls, as well as better access to knowledge management and enhanced routing of calls to the appropriate skills.

We are extending our Managed Services capabilities by opening a new Service Center location in France, in mid-2019, to increase our capacity and resilience for Service Desk operations. The pipeline of Services opportunities may require us to expand some of our locations further.

Why this is important to Computacenter

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

How we define Services revenue generated per Services head

This is our Group Services revenue divided by the number of employees directly involved in the provision of either our Managed Services or Professional Services offerings. The prior year comparatives are restated on a constant currency[2] basis, to provide a better indicator of underlying growth. This measure excludes the impact of acquisitions made in 2018.

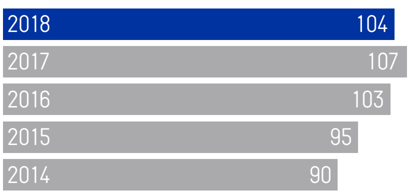
Strategic objective 3

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

Number of customer accounts with contributions of over £1 million

104

-2.8%



Description

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

Progress in 2018

In 2018, the number of Group customers who generated more than £1 million per year of gross profit, measured in constant currency[2], decreased from 107 to 104, excluding the acquired entities in the USA and the Netherlands. Both Germany and France increased the number of major customers, while the UK saw a reduction. The reduction in major UK customers was due to buying cycles and will bounce back in 2019. The two acquisitions added 14 new customers that each generated more than £1 million of gross profit, bringing the Group total to 118. The number of customers that generate more than £5 million of gross profit for the Group has doubled in the last three years, as many of our large customers trust Computacenter to deliver larger-scale projects and a more significant percentage of their IT operations.

Target for 2019

We expect to see an increase in the number of major customers in 2019. We are particularly encouraged by the substantial growth in the number of customers generating between £500,000 and £1 million of gross profit during 2018, which bodes well for the future. It is also critical that we secure the major accounts from the acquired businesses for the long term, as this is where we will maintain the value of the acquisitions. We believe that the enhanced geographical footprint, particularly in the USA, will also enable us to achieve revenue synergies, expanding the number of major customers.

Why this is important to Computacenter

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

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

A customer account is the consolidated spend by a customer and all of its subsidiaries. Where our customer account exceeds £1 million of contribution to Group adjusted[1] gross profit, it is included within this measure. The prior year comparatives are restated on a constant currency[2] basis, to provide a better indicator of underlying growth.

Strategic objective 4

To innovate our Services offerings to build future growth opportunities

Services revenue £m

1,159

-0.3%

2018	1,159
2017	1,162
2016	1,082
2015	1,094
2014	1,039

Description

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

Progress in 2018

In 2018, total Services revenue across the Group, in constant currency[2] and before acquisitions, remained broadly flat. However, there were some significant ups and downs in the different parts of the business. In Germany, we saw solid progress from our Professional Services business, which grew at 8.9 per cent. Given the size and scale of the business and the challenge of hiring talent, which is particularly difficult in the German market, this is probably approaching the maximum growth we can achieve in a calendar year. Our Managed Services business in Germany has not been as successful. We have, without doubt, had some operational challenges and while these are predominantly behind us, they have reduced our appetite for growth in this challenging part of the market. In the UK, Professional Services revenue looked weak relative to 2017. However, this was predominantly due to a large and very successful contract that we completed in 2017 with a UK central Government department, which counted for more than 25 per cent of our entire Professional Services business in 2017. Excluding this, 2018 was a year of progress. In UK Managed Services, the year turned out better than we had predicted although much remains to be done. We achieved a high rate of renewals and added some new contracts. In France, revenue declined due to the loss of a contract towards the end of 2017.

The two acquisitions have added £16 million of Services revenue in 2018 which, whilst included in the results of the Group, have been excluded from this measure. The Group Services revenues including acquisitions is £1,175 million and 1.1 per cent higher than the previous year in constant currency[2].

Target for 2019

From a Professional Services point of view, we should see steady progress again in Germany, as we have done for the last few years. The UK should show growth, given it has a less challenging comparative than in 2018. The Managed Services marketplace is challenging. However, the pipeline for new business across our geographies is somewhat more encouraging. There are some significant renewals that will not have a substantial effect on our 2019 revenues but will need to be secured in order to maintain progress in 2020. During 2019, we expect to gradually introduce our Services capability to the acquired entities in the Netherlands and the USA.

Why this is important to Computacenter

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

How we define Services revenue

Services revenue is the combined revenue of our Professional Services and Managed Services business. The prior year comparatives are restated on a constant currency[2] basis, to provide a better indicator of underlying growth.

Landeshauptstadt München

WE HELPED MUNICH REDUCE RISK TO THEIR IT INFRASTRUCTURE

THE CITY OF MUNICH AND COMPUTACENTER HAVE A LONG-STANDING PARTNERSHIP. TOGETHER, WE HAVE DEVELOPED A STANDARDISED APPROACH TO RISK MANAGEMENT – A DEMANDING AND COMPLEX UNDERTAKING IN VIEW OF THE DIVERSE REQUIREMENTS ACROSS THE VARIOUS ORGANISATIONS. TODAY THERE IS A UNIFORM SOLUTION THAT ENJOYS A HIGH LEVEL OF USER ACCEPTANCE AND DELIVERS SIGNIFICANTLY IMPROVED SECURITY.

Manfred Lieske
Sector Director Germany, Computacenter

What we did
Computacenter analysed the security guidelines and processes for the City of Munich's IT (it@M) and identified possible hazard scenarios. Based on these results, we developed standardised templates and assessment processes. Computacenter now supports it@M in ongoing risk management and process optimisation.

How this helped the City of Munich
The amount of time spent on risk analyses has been significantly reduced. Through defined procedures, risk management has been embedded in IT development processes and the results of the analyses can now be objectively compared and remedial action implemented.

Risk analyses per year:

80

Devices:

20,000

- Source
- ✓ Transform
- ✓ Manage

SUPPORTING THE FRENCH ARMED FORCES' DIGITAL TRANSFORMATION

COMPUTACENTER HAS RENEWED THIS INFRASTRUCTURE CONTRACT TWICE. WE ARE IDENTIFIED AS ONE OF THE IT PARTNERS OF THE FRENCH MINISTRY OF DEFENCE FOR THEIR DIGITAL TRANSFORMATION AND WE CAN BE VERY PROUD AND HONOURED TO SUPPORT THE MINISTRY IN THEIR MAIN CHALLENGE OF ENSURING THE EFFICIENCY OF FRENCH ARMED FORCES.

Stéphane Bécue
Public Sector Director France, Computacenter

What we did
This supply and services contract is SLA-driven, with Computacenter supporting the Armed Forces' IT function (DIRISI) in its role as a service provider. The digital transformation includes end user device refresh and security-cleared technical support in infrastructure projects.

How this helped the French Ministry of Defence
The French Ministry of Defence needed to strengthen its operational and contractual processes, whilst upgrading the tools it deploys. The Computacenter contract enables them to undertake this transformation for end users and the infrastructure, without compromising their security or commercial transparency.

End users:
210,000

Device moves per year:
450,000

- ✓ **Source**
- ✓ **Transform**
- **Manage**

NHS Digital

PROTECTING PATIENT DATA THROUGH NETWORK ANALYTICS

THE BUSINESS-ENABLING SECURITY SOLUTION DELIVERED BY COMPUTACENTER AND CISCO PROVIDES NHS DIGITAL'S SECURITY ANALYSTS WITH FULL VISIBILITY OF TRAFFIC PATTERNS AND POTENTIAL THREATS ACROSS THE UK'S HEALTH AND SOCIAL CARE NETWORK. THE NETWORK, WITH ITS ENHANCED SECURITY, ENABLES HEALTHCARE PROFESSIONALS AT REGIONAL HOSPITALS, CLINICS AND GP SURGERIES TO SHARE AND PROTECT VITAL DIGITAL PATIENT DATA, MAXIMISING EFFICIENCY AND ENABLING BETTER QUALITY CARE.

Chris Price
Public Sector and Strategic Partners Director, UK, Computacenter

What we did
Computacenter designed and deployed a network analytics solution and its hardware platform to provide an end-to-end view of security events. Based on Cisco Stealthwatch and Splunk Data Analytics, the solution identifies, tracks and reports potentially malicious behaviour. These are resolved using security playbooks created by Computacenter and Cisco.

How this helped NHS Digital
NHS Digital's security analysts have full visibility of traffic patterns and potential threats across their network, enabling national responses to system-wide security incidents. Healthcare professionals at regional hospitals, clinics and GP surgeries will be able to share and protect vital digital patient data, maximising efficiency and enabling better quality care.

Email accounts protected:

1.3m

Security analytics availability:

99.9%

- ✓ Source
- ✓ Transform
- Manage

TRANSFORMING THE END USER EXPERIENCE WORLDWIDE

COMPUTACENTER'S EFFICIENT APPROACH TO GLOBAL TRANSITION ENABLED US TO EXTEND AIR LIQUIDE'S EMEA END USER SERVICE TO THEIR NORTH AMERICAN USERS WITH MINIMAL DISRUPTION IN THE SHORTEST POSSIBLE TIMEFRAME. THIS MODEL WILL SUPPORT THE INTEGRATION OF A FURTHER 30,000 USERS WORLDWIDE AND ENABLE THE GLOBAL INNOVATION AND TRANSFORMATION PROGRAMME WHICH COMPUTACENTER DEVELOPED DURING THE TRANSITION.

Mark Peter
Head of International Operations, Computacenter

What we did
Computacenter's innovation strategy for Air Liquide builds upon the existing European end user service and extends it to the Americas. Helpdesk services from Budapest and Mexico City complement onsite support provided in each country. The transformation includes analytics, automation and robotics, chatbots and machine learning.

How this helped Air Liquide
Air Liquide now has a single point of contact for all users, with Computacenter providing full accountability for the service. This standardisation is part of the customer's globalisation plan for end user support, driving innovation and reducing costs.

End users:
30,000

Years service delivered for:
>13

- Source
- ✓ Transform
- ✓ Manage

POWERFUL PARTNERSHIPS

pwc

USER-DRIVEN WINDOWS 10 DEPLOYMENT WITH <1 HOUR DOWNTIME

THANKS TO THE DETAILED PLANNING BY OUR LONG-TERM IT SERVICE PROVIDER COMPUTACENTER, IN COMBINATION WITH THE OPTIMAL USE OF THE INVENTOX ROLLOUT DATABASE, WE WERE ABLE TO MIGRATE THE TARGET NUMBER OF CLIENTS TO WINDOWS 10, EVEN IN PEAK PERIODS.

Lars Zellmer
Senior Manager, Group Leader Service Points
PwC IT Services Europe GmbH

What we did
With Computacenter's best practice rollout tools, employees could determine the time and place of migration for themselves. New devices were shipped from Computacenter's Integration Center in Kerpen, ready-loaded with applications. User data was transferred, and data securely wiped from the returned devices.

How this helped PwC
11,000 notebooks and 10,000 docking stations were replaced within 10 weeks at PwC. The waiting period for the largely mobile employees was one hour maximum. This ensured maximum efficiency for the users, and provided high levels of transparency to PwC's IT leadership.

Mobile users:

11,000

Number of weeks replaced within:

10

- ✓ **Source**
- **Transform**
- **Manage**

Barry Hoffman
Group Human Resources Director

Being socially responsible benefits the environment, the community, our shareholders, customers and employees alike. We are therefore committed to carrying out business responsibly and remain a member of the United Nations Global Compact (UNGC). This means we incorporate the UNGC and its principles into our strategy, culture and day-to-day operations, focusing on three main areas – our people, the environment and the wider community. We also have a strong focus on ethical business and preventing bribery and corruption.

Non-financial information statement
The content of this section forms our non-financial information statement for the purposes of the Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, with the exception of the business model which can be found on pages 18 to 19, principal risks and uncertainties (pages 40 to 45) and key performance indicators (pages 22 to 25).

Our people

Alongside the services we deliver to our customers and the innovations we create, our people are a major source of competitive advantage for us. We therefore continually develop our approach to attracting and retaining talented individuals, to support our business growth.

Managing talent
Ensuring we have the people we need requires us to carefully manage the talent we already have and to bring new talent into Computacenter. Every year, the Group Human Resources Director conducts a detailed succession planning exercise with the Board, which covers the three most senior levels of management. This is supported by succession planning exercises at every level throughout the Group. In 2018, we also ran a talent discovery programme, which helps us to match our current and future strategic resourcing needs with the talent in the business, so we can identify gaps we will need to fill.

We have continued with our wide range of programmes to attract young talent into Computacenter and into the industry more generally. In the UK, these include our industrial placement programme, our graduate and sales associate programmes and our apprenticeships. We also attend numerous careers fairs at schools and universities and offer a range of support and advice for young people, such as work experience. The Group has won a number of awards for its approach to employing young people, including being recognised as a top company for graduates to work for in the 2018/19 JobCrowd awards.

To attract young women into Science, Technology, Engineering and Maths (STEM) careers, we run an outreach programme in schools, colleges and universities and help young women to identify their skills and career options through our Women in Science and Engineering Ambassadors. We also support a range of activities through our STEMNET Ambassadors and link to schools across the country through our Inspire the Future Ambassadors.

In Germany, we train young people in digital media and offer insight into working in the IT industry. We also bring young women together to learn about technical and science careers and send apprentices to talk to school students about training, work and career opportunities.

Diversity and inclusion
One of our highest priorities is to make sure that we support and protect our people and suitably recognise their contribution. We therefore want to foster a culture that allows everyone to contribute fully and be themselves at work. The more we do that, the more we can leverage their potential, which helps us to deliver better service to our customers.

Our People Panel is chaired by Mike Norris, our CEO, and brings together more than 30 people from across the Group, with a mission to create a culture which is fair, where we value and respect differences and understand that people matter. To do this, the People Panel:
- promotes a fair and inclusive culture;
- researches best practice and shares it across our business;
- encourages change in diversity and inclusion; and
- measures progress and communicates.

The People Panel has helped us to embed diversity and inclusion in everything we do, through one of our core Winning Together values, understanding people matter. To focus our efforts, we have divided diversity and inclusion into six subject pillars:
- accessibility and wellbeing;
- life balance;
- LGBT+ allies;
- future talent;
- focus on women; and
- culture.

Throughout the year, we have undertaken a wide range of activities in each of these areas. For example, as part of our accessibility and wellbeing agenda, our UK business has signed up to be Level 1 Disability Confident. The Disability Confident scheme aims to help employers make the most of the opportunities provided by employing disabled people. We have also established a disability function in Germany, so we manage disability in the appropriate way.

Life balance is a major topic for the People Panel and we want to make a good life balance central to our culture. We are looking at ways to offer more flexibility for our people and, for example, published guidelines on remote working during the year.

Ensuring our LGBT+ colleagues feel welcomed and comfortable at work is particularly important to us. We supported the annual Pride Day and distributed specially made Pride badges with the Computacenter logo. We also have an online forum for employees to network and build a community, and have organised a series of themed events to bring people together.

To help our future talent feel supported and included, we have established FreshMinds in the UK and Future Talent Connect in Germany. These communities host events to connect new joiners and encourage partnerships between our country units.

Our focus on women has included networking events and the Growing Together initiative, which encompasses group coaching and learning, mentoring, and talent recognition, as well as addressing cultural bias. We were pleased that two of our people, Clare Parry-Jones and Angela Counsell, won Manager of the Year and Graduate of the Year respectively at the CRN Women in Channel Awards 2018. Women@Work is well-established in Germany and offers a wide range of networking, coaching, mentoring and learning opportunities. Computacenter has ranked as one of the top companies for women to work for in Germany, according to Brigitte magazine.

Being a successful global company requires us to understand and respect cultural and language differences. We have run unconscious bias training at a number of locations and plan to roll this out across the Group. We also have a range of other initiatives, such as posting tips and information to ensure we help colleagues during Ramadan and introducing diversity holidays in the USA, which recognises that some national holidays may not be a good fit for all employees and allows them to take a culturally appropriate holiday of their choice instead.

Gender diversity

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

	2018		2017	
	Women	Men	Women	Men
Board	2	7	2	8
Senior managers	21	87	15	66
Other employees	3,874	12,065	3,449	11,092
Total	**3,897**	**12,159**	**3,466**	**11,166**

The proportion of women employed in Computacenter is in line with industry norms and we are committed to increasing it through the programmes described above.

Winning Together – our values

Our Winning Together values are fundamental to Computacenter's culture and the way we work every day.

We win by:

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

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

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

We do this together by:

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

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

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

As we grow, maintaining the values and culture that we hold dear and that have made us the Company that we are today becomes even more important. Reflecting this, our performance management process links directly to our values and assesses how each of our people behaves, as well as what they achieve. We also use our values in recruitment, so we bring in people who are already aligned to them.

Engagement
Towards the end of the year we ran an employee engagement survey, with around 10,000 of our people taking part. This showed an improvement in employee engagement and enablement, compared with our previous survey in 2016. One of the largest improvements was the proportion of employees who would recommend Computacenter as a great place to work. Our people were also more likely to report that their jobs were challenging and interesting. However, the survey also identified areas where more work is required, notably in internal communication and opportunities for career development within the Group.

Our Senior Independent Director, Ros Rivaz, has engaged with employee representatives such as our European Works Council during the year. This gives us a firm foundation for complying with the 2018 UK Corporate Governance Code, which requires the Board to engage with the wider workforce.

Our people policies
Computacenter has a range of people-related polices, covering topics such as dignity at work, health and wellbeing, recognition and reward, and whistleblowing. Together, they are designed to ensure that our people are supported, protected and suitably recognised for the contribution they make, and that we are an inclusive and ethical employer, with a diverse, talented and motivated workforce.

Our people can report any HR policy compliance issues to their line manager or HR, or they can call our Safecall whistleblowing hotline, which allows them to report in confidence. All calls to the hotline are handled by an independent third party and the issues are monitored, resolved and reported to the Audit Committee. All other issues are dealt with operationally, through the HR function.

We also monitor other indicators of policy compliance, such as the number of grievance or disciplinary proceedings, which we aggregate at a country level. Our HR managers review this data to see if there are trends requiring Management action. No material policy breaches were identified during the year, either through the whistleblowing hotline or our other reporting and monitoring mechanisms.

Improving the way we work
In 2019, we will continue to enhance our people-related processes and systems. In particular, we will be modernising performance management to make it an ongoing process rather than an annual event. We will also be creating a more engaging employee experience. This will make it easier for our managers and people to access our processes, for example through increased self-service, and ensure a consistent approach to managing people across the Group.

Health, safety and wellbeing
Health and safety policy
Protecting those who work for and with us, as well as customers and members of the public, is extremely important. The Group's health and safety policy is to create and maintain, as far as reasonably practicable, a working environment which does not pose an undue risk to health and safety. Our approach is based on identifying and controlling hazards. Preventing all incidents, particularly those involving personal injury and damage to equipment or property, is a priority. Line managers are required to ensure that the policy is implemented in their area of responsibility. It is a condition of employment that our people observe the policy and failure to do so can result in disciplinary action.

During 2018, we have seen a solid health and safety performance driven by an established Health & Safety Management System. We have continued to improve the Accident Incident Rate (AIR), which is the number of accidents per 1,000 employees to 2.47 in the UK, and the Accident Frequency Rate (AFR), which is the number of accidents per 100,000 working hours, to 0.46 in the UK.

Health and safety performance
Average results for 2018:

	AIR	AFR
UK	2.47	0.46
Germany	2.99	0.62
France	1.51	0.31

Since moving our online training provider in April 2017, we have had a continual uptake on the courses being rolled out with over 6,044 courses completed so far – Display Screen Equipment (2,284), Manual Handling (1,851), Environmental Awareness (1,618), Fire Warden (82), Asbestos Training (196), Ladder Safety (5), Control of Substances Hazardous to Health (4) and Risk Assessment (4).

Wellbeing
In 2018, we further increased our focus on our people's wellbeing, with initiatives across the Group focusing on both physical and mental wellbeing. For example, in the United States we continue to work with Cigna, our healthcare provider, to promote health and wellbeing and making sure our people are aware of the free health and wellness resources available.

In Germany, we have introduced training for leaders, to deepen their knowledge of occupational safety and health protection and to improve the sense of leadership responsibility. We also strengthened our workplace-specific instructions on protecting occupational safety and health.

Our Spanish business has a dedicated Health & Safety specialist and committee, who make sure we have the healthiest environment possible for our employees. We also have incentive programmes such as discounts at a local climbing centre, spa and massages.

In the UK, we have introduced health and wellbeing champions across the business, who are trained in mental health first aid. We have also launched a UK wellbeing policy and promoted wellbeing initiatives at internal conferences. Other initiatives include training employees in CPR and working towards the Safe, Effective, Quality Occupational Health

Service external accreditation standards for our occupational health service.

The environment

During 2019, we will install a photovoltaic system on the roof of our Operations Center in Hatfield. The system will have a surface area of 10,324m^2 and will enable us to generate 1.9 million kWh of electricity each year, equivalent to 22 per cent of the Operations Center's annual usage. This will reduce our CO_2 emissions by more than 1.1 million kg a year, while also cutting costs for us.

Wider community

We support our wider communities by working with selected charities. While this is important to us, we do not have a formal policy setting out our approach in this area, as we do not believe it has a material impact on our business.

Our three main aims are to:

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

Around the world, we continue to support initiatives to raise money for local charities, as well as supporting events and initiatives proposed and run by our employees.

In France, we support the 'Children of the Desert', who work with the Moroccan populations isolated in the desert and provide access to education for all children. We have also continued our partnership with Aide et Action, to provide support for schooling of children who are forced into child labour due to their circumstances. We have run further blood donation campaigns in Germany, in conjunction with the Red Cross. In Spain, we continued to work with our charity partner Acnur Comite Catala per als refugiats, a local branch of United Nations High Commissioner for Refugees (UNCHR).

Our newly elected UK charity partners, which were selected by employees, are Make A Wish Foundation, Dementia UK and the British Heart Foundation. Fundraising for these charities is steered by a charity committee, comprising a cross section of employees, from branch administrators to senior management. Each of these charities will receive considerable support from us. We also offer a Give as You Earn scheme, through which employees can make monthly contributions to any UK charity of their choice through automatic deduction from their salaries.

How we do business

Protecting human rights

As signatories to the UNGC, we are committed to upholding internationally proclaimed human rights. For Computacenter, human rights fall into two areas: protecting the rights of our employees and ensuring we are not complicit in human rights abuses in our supply chain. The human rights of our employees are covered by the people policies and health and safety policies described earlier.

Human rights in the supply chain primarily relate to the risk of modern slavery. We have published our second Modern Slavery (Transparency in Supply Chain) Act, Section 54 statement. We continue to work with a diverse set of suppliers and when selecting who we want to work with, we ensure that our terms of engagement are clear and that they support both our Group values and our wider corporate social responsibility objectives. Our Supplier Code of Conduct sets out the 10 principles in the UNGC, which includes human rights. We expect all suppliers to abide by these principles.

We have increased our focus on the risk of modern slavery over the last year and have worked across our business operations to identify our risk areas. We will continue with our commitment to ethical and responsible business practices, ensuring that if modern slavery is identified anywhere within our supply chain, we will not tolerate it.

The Group publicises its whistleblowing hotline to suppliers, to enable reporting of any suspected human rights issues. There were no significant issues identified during the year.

Preventing bribery and corruption

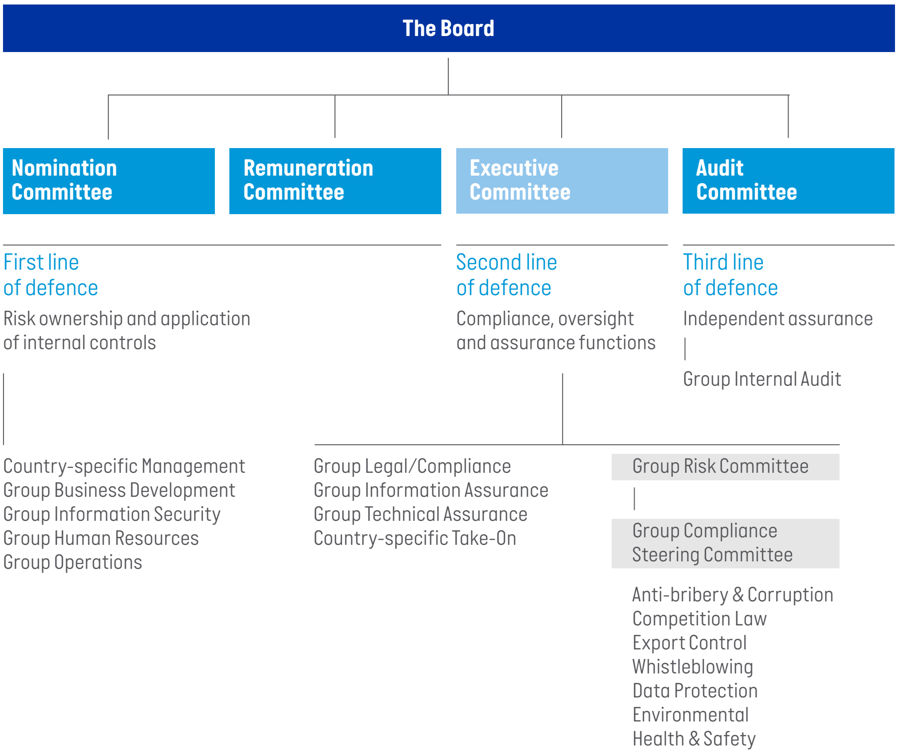
Computacenter has a Group Business Ethics Policy, covering matters ranging from how we choose the companies we work with to avoiding conflicts of interest. We also have an Anti-Bribery and Corruption Policy, supported by a Code of Conduct and a number of guidance notes, covering subjects such as due diligence on third parties, communications and risk assessments. Internal audit tests compliance with our policies and our control regime is supported by our Safecall whistleblowing hotline. No material breaches of our policies were identified during the year.

We continued our zero-tolerance approach to anti-bribery and corruption in 2018. Anti-bribery and corruption training is an integral part of our induction process across the Group. We have also continued to develop the awareness of our external whistleblowing hotline across the Group, ensuring that employees, contractors, partners and suppliers know how they can report any issues concerning them in confidence.

Principal risks and uncertainties

Mitigation that helps us to deliver our strategy

Our risk governance model



1. Risk overview/landscape

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

2. Risk appetite

Our risk appetite is strongly influenced by our experience in the industry sector. At an operational level, we have a higher risk appetite for business development where we have experience of the risks and a lower risk appetite where we have less experience. This is supported day-to-day by our operating policies and governance processes which include decision-making support and authority over new contracts and contract changes.

3. Risk culture

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

4. Risk identification and impact

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

Lower-level risks are identified and analysed through the Group Operating Business Risk Assessment process, the results of which are also reviewed by the Group Risk Committee. This includes validating them against the principal risks to ensure that all potential threats are considered. Lower-level risks are often triggers for crystallising principal risks so their careful management remains an important consideration.

5. Risk trends

The overall risk landscape has increased relative to last year as a result of external factors affecting the business.

Strategic: The strategic-level risk profile is largely one of long-term risk due to technological change and Computacenter's ability or otherwise to innovate effectively. Although our response continues to mature, the level of technological change and our continuing need to innovate to remain competitive increases this risk over time. We have also recognised geo-political risk in this category for the first time, arising from our increasingly global operations.

Contractual/Operational: Having successfully completed our General Data Protection Regulation (GDPR) compliance project ahead of the due date in May 2018, we have widened the definition of the risk this year to one of overall data privacy failure.

Additionally, the failure to integrate adequately the FusionStorm business into the wider Group structure has been recognised as a new risk.

HOW RISK LINKS TO STRATEGY

Our risk management process helps maximise the chances of achieving our strategic objectives.

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

Financial: Risks relating to the departure of the UK from the EU remain under review. The executive-level committee we established last year continues to assess the potential risks in more detail as well as our response to them. Further details can be found on pages 56 to 66 in the Group Finance Director's review.

People: This year we have recognised the risk of failing to ensure adequate diversity in our workforce and thereby restricting the talent we employ.

Our four strategic objectives	**Strategic objective 1:** To lead with and grow our Services business	**Strategic objective 2:** To improve our Services productivity and enhance our competitiveness	**Strategic objective 3:** To retain and maximise the relationship with our customers over the long term	**Strategic objective 4:** To innovate our Services offerings to build future growth opportunities
Risk categories:				
Strategic Risks				
Market shift in technology usage	●		●	●
Not investing appropriately	●	●	●	●
Geo-political risk		●	●	
Contractual/Operational Risks				
Lack of effective pre-contract processes	●		●	●
Lack of effective post-contract delivery	●		●	
Data privacy failure			●	
FusionStorm integration	●	●	●	
Infrastructure Risks				
Cyber threat	●	●	●	●
Integrity failure of critical systems	●	●	●	●
Financial Risks				
Poor control of debt management		●		
Under-investment in indirect costs	●		●	
UK's departure from the EU	●	●	●	
People Risks				
Poor staff recruitment and retention	●	●	●	●
Inadequate succession planning	●			●
Failure to ensure adequate diversity		●	●	●

Related material:
How it all fits together – page 21
Accountability – page 76

Group risk log 2018 heat map

1: Strategic Risks
2: Contractual/ Operational Risks
3: Infrastructure Risks
4: Financial Risks
5: People Risks

1. Strategic Risks

Alert status
Increased likelihood
New risk recognised in relation to geo-politics

Risks
- Market shift in technology usage making what we do less relevant or superfluous (CEO)
- Not investing appropriately to enhance our competitiveness (CEO)
- Geo-political risk arising from our increasingly global operations (CEO)

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

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

Risk owner
- Chief Executive Officer (CEO)

2. Contractual/Operational Risks

Related material:
Our strategic priorities – page 20
To lead with and grow our Services business – page 22

Alert status

Increased likelihood
Broadened definition of data privacy failure
New risk recognised in relation to FusionStorm

Risks

- Lack of effective pre-contract processes resulting in poor design, costing and pricing (GSD/GQAD/CMD)
- Lack of effective post-contract delivery (GSD/GQAD/GDD)
- Data privacy failure (HL&C/GCIO)
- Failure to integrate FusionStorm effectively (DD)

Principal impacts

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

Response to risks

- Mandatory governance processes relating to bids and new business take-ons including risk-based decision-making assessments and new tooling
- Board oversight of significant bids
- Appointment of a Group Quality Assurance Director to provide independent quality assurance of key bids and delivery programmes and to improve the extraction of value from our lessons learnt processes
- Regular commercial 'deep dives' into troubled contracts and challenging transformation projects
- Data privacy audit programme
- FusionStorm integration plan in place with ongoing monitoring of key risks to ensure its success

Risk owners

- Country Managing Directors (CMD)
- Head of Legal & Contracting (HL&C)
- Group Delivery Director (GDD)
- Group Quality Assurance Director (GQAD)
- Group Chief Information Officer (GCIO)
- Group Services Director (GSD)
- Group Development Director (DD)

Related material:
Our Service Centers – inside front cover
Group Finance Director's review – page 56
Sustainability – page 36

3. Infrastructure Risks

Alert status
Unchanged risks, but some increase in activity

Risks
- Cyber threat to Computacenter's networks and systems, arising from either internal or external security breaches, leading to system failure, denial of access or data loss. Cyber threats introduced by Computacenter to its customers' networks and systems for whatever reason (GCIO)
- Integrity failure of our critical systems (GCIO)

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

Response to risks
- 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 data centers designed to accommodate loss of network service
- Standing agenda item for each meeting of the Group Risk Committee

Risk owner
- Group Chief Information Officer (GCIO)

4. Financial Risks

Alert status
Unchanged risks

Risks
- Potential effect of UK's departure from the European Union on our business as a result of anti-UK business sentiment, specific exit strategies or short-term issues such as foreign exchange volatility (FD)
- Under-investing in our indirect costs, particularly Sales, leading to missed opportunities and top line impact (CEO/CMD)
- Poor control of debt management (FD)

Principal impacts
- Missed business opportunities
- Non-renewal of contracts
- Reduced revenue
- Reduced margin
- Financial impact through bad debts

Response to risks
- Potential effect of the UK's departure from the EU is subject to ongoing review by the Group Risk Committee, with particular short-term emphasis on foreign exchange volatility and hedging operations. Executive-level committee reviews risks and mitigations in more detail
- Implementation of debt management best practice after centralising Group-wide collection functions at the Budapest Finance Shared Service Centre
- Monthly review by Management to assess sales teams' ongoing performance and future effectiveness

Risk owners
- Chief Executive Officer (CEO)
- Group Finance Director (FD)
- Country Managing Directors (CMD)

5. People Risks

Alert status
Increased likelihood
New risk recognised in relation to diversity

Risks
- Failure to recruit and retain the right calibre of staff to our talent pool with focus on senior positions in Sales, Services and Projects (GHRD)
- Inadequate succession planning or insufficient depth within key senior executive positions (GHRD/CEO)
- Failure to ensure adequate diversity thereby restricting the talent we employ (GHRD)

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

Response to risks
- 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
- Specific diversity projects in place relating to accessibility and wellbeing, life balance, LGBT+ and allies, future talent, focus on women and culture

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

Our performance in 2018

Financial performance

A record year saw the Group surpass £4 billion of revenue for the first time, having only passed the £3 billion mark in 2013. The Group's revenues increased by 14.7 per cent, or £559.2 million, to £4,352.6 million (2017: £3,793.4 million) and were 14.2 per cent higher in constant currency[2].

The Group made a statutory profit before tax of £108.1 million, a decrease of 3.2 per cent (2017: £111.7 million). The Group's adjusted[1] profit before tax increased by 11.3 per cent to £118.2 million (2017: £106.2 million) and by 11.3 per cent in constant currency[2].

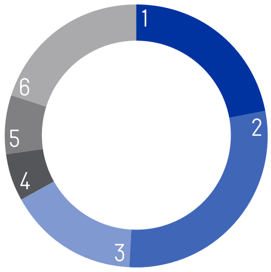
The difference between statutory profit before tax and adjusted[1] profit before tax relates to the Group's reported net loss of £10.1 million (2017: net gain of £5.5 million primarily from disposal of investment property) from exceptional and other adjusting items principally related to the acquisition of FusionStorm. Further information on these can be found on page 60.

Notwithstanding the decrease in the Group's statutory profitability, statutory diluted earnings per share increased by 5.4 per cent to 70.1 pence for the period (2017: 66.5 pence), influenced, in part by the Return of Value Tender Offer. Adjusted[1] diluted earnings per share, the Group's primary measure, increased by 16.3 per cent to 75.7 pence (2017: 65.1 pence) during the year.

The full year of trading to 31 December 2018 showed considerable progress in Computacenter's adjusted[1] profitability and even further progress in adjusted[1] earnings per share, following the Return of Value Tender Offer completed in February 2018.

The result has benefited from £270.9 million of revenues, and £2.7 million of adjusted[1] profit before tax, resulting from the acquisitions made in the second half of the year. All figures reported throughout this Annual Report and Accounts include the results of the acquired entities.

Revenue by business type



1 Workplace 22%
2 Data Center, Networking & Security 29%
3 Software 16%
4 Resold Services 6%
5 Professional Services 7%
6 Managed Services 20%

Following a record breaking first half of the year, the second half improved on it, and the challenging prior year comparative, in both revenue and adjusted[1] profitability. The improvement for the year as a whole was driven by the Technology Sourcing business, with strong top line growth in both the UK and Germany and improved margins in France and Germany.

As noted in our Pre-Close Trading Update on 23 January 2019, the results were marginally ahead of the Board's expectation, as upgraded within the 12 July 2018 Trading Update and confirmed both in the Interim Results and the Q3 Trading Update on 31 October 2018. The results are therefore materially above the Board's expectations held at the start of 2018.

Technology Sourcing performance

Technology Sourcing is the new name for the Business Line previously referred to as Supply Chain. Our Technology Sourcing and lifecycle management services are fundamental parts of our offering for our customers. Reselling leading manufacturers' hardware and software products enables us to 'Source' technology solutions for customers and underpins our Professional Services transformation solutions. Most customers require a comprehensive solution, combining our services with the systems they need to meet their IT and business objectives. Our ability to integrate vendor technology seamlessly into our solutions for customers is therefore critical.

The Group's Technology Sourcing revenue increased by 20.5 per cent to £3,177.6 million (2017: £2,636.2 million) and by 19.9 per cent in constant currency[2].

A strong performance in the first half set the platform for a pleasing full year result in the UK Technology Sourcing business. The UK business has seen increased Software volumes which have diluted the Technology Sourcing margin performance, resulting in overall flat margins and contribution growth that is significantly lagging the strong increase in revenue within the UK.

The Technology Sourcing business in Germany saw significant growth during the year, following on from two years of extraordinary growth. Technology Sourcing underpinned the Group's performance for the year, with continued success in the Public Sector and from a hyperscale Data Center customer. With growth across other sectors and portfolios more in line with expectations, overall growth could reduce if the Public Sector business returns to more normal patterns of growth or if volumes reduce for this Data Center customer. Late in the year, we opened a new Integration Center in Kerpen, near Cologne, which will increase our capacity to grow the business and meet customer demand. The transition to this new facility was seamless, with the old facility, which was at maximum capacity, now decommissioned.

French Technology Sourcing revenues declined by 3.6 per cent in constant currency[2] but achieved better margins through a favourable product mix with less software. French Technology Sourcing margins improved further from the already Group-leading position in the prior period, driven by this change in product mix towards Data Center products. One key Public Sector account saw reduced volumes, due to an extensive rebid process that resulted in us retaining the account once again. We expect volumes on this key account to return to a normal pattern throughout 2019, albeit at reduced margins initially.

Overall, Group Technology Sourcing margins grew by 29 basis points during the year, when compared to the prior year.

Services performance

The Group's Services revenue increased by 1.5 per cent to £1,175.0 million (2017: £1,157.2 million) and by 1.1 per cent in constant currency[2]. Within this, Group Professional Services revenue increased by 0.8 per cent to £321.9 million (2017: £319.2 million), and by 0.3 per cent in constant currency[2], whilst Group Managed Services revenue increased by 1.8 per cent to £853.1 million (2017: £838.0 million), and by 1.5 per cent in constant currency[2].

UK Services revenue reduced during 2018, with a flat Managed Services result and materially lower Professional Services revenues. Professional Services faced a difficult comparative against 2017, with the prior period including one engagement that provided significant revenue and most of the growth in that year. This contract was completed successfully in 2017 and the extraordinary volumes achieved were not replaced in 2018. The forward order book for 2019 is starting to rebuild and we expect an improved performance in this area, building in the second half of 2019, from what was a challenging result that has reduced UK and, consequentially, overall Group Services revenue. Several Transformation projects during the year experienced material cost overspends, which constrained Services margins. These projects are now complete and behind us, again setting up 2019 for an improved performance in this area. The Managed Services business saw the Contract Base decline despite renewing and extending key contracts. Whilst renewals are always pleasing, as they validate the long-term commitment to customer value and satisfaction, in order to grow, the focus remains on winning tenders for new business. Managed Services margin performance was pleasing, with improvements across the portfolio apart from significant overspend on one new Public Sector contract, which has weighed on the overall result. A significant adjustment for estimated losses over the remaining lifetime of this difficult contract was booked in the year, within cost of sales.

The German Services business continued to drive the Group's Services performance. Demand for our Professional Services business remained strong throughout the year, after a weak first quarter. Professional Services resources continue to be deployed to assist with technical challenges on difficult Managed Services contracts. This, along with the now critical shortage of appropriately skilled resource in the marketplace, has constrained Professional Services growth somewhat. In light of these challenges, the growth is pleasing. The Managed Services business saw steady growth from prior period contract wins which were implemented in 2018. Germany has a number of contracts, including more recent wins, that continue to underperform against expectations, which is the lone source of disappointment in an otherwise fantastic year for the business. Services margins have reduced, as cost overruns and further adjustments for loss provisions on these difficult contracts offset the Professional Services performance and the rest of the Managed Services portfolio, which continues to perform well.

Our French Services business successfully negotiated a year made difficult by the loss of a significant Services contract at the end of 2017 and the renewal, at reduced revenues and margins, of three other significant Managed Services contracts. This important, but low margin contract loss, and margin reduction were anticipated heading into 2018 and overall, given the uncertainty, the business is pleased to have come through this period of change. We will continue to focus on service improvements, automation and pre-agreed cost optimisations, to lift margins over the lifetime of the contract extensions. The focus for 2019 is to continue to broaden the customer base and to renew the Group's largest Managed Services contract.

Overall, Group Services margins declined by 104 basis points during the year, when compared to the prior year.

Outlook

2018 was a record year in revenue, adjusted[1] operating profit and adjusted[1] diluted earnings per share for the Group. We have also laid foundations for further growth in the years ahead.

We have invested in the physical infrastructure that enables our Technology Sourcing, increased our Services capability and expanded our geographical footprint through acquisitions. In addition, we reduced the number of shares in circulation by 6.97 per cent, through a Return of Value Tender Offer of £100 million. Even after these substantial investments, Computacenter finished the year with a strong balance sheet and a cash surplus, which underpins our confidence in the future.

Specifically, while the Technology Sourcing success of last year creates a difficult comparison in 2019, particularly in the first half, lower Services margins in 2018 give us a significant opportunity to improve. We also expect a profit contribution from our acquired business in the USA.

As we look out further into the future, we remain enthusiastic about our customers' desire to enhance the digital experience, grow their network capacity, modernise their infrastructure and enhance their competitiveness, by investing in technology.

UNITED KINGDOM

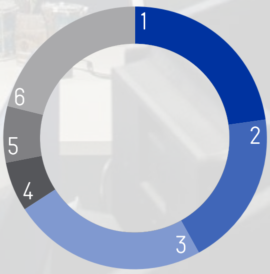
Neil Hall
Managing Director, UK and Ireland

Members of the UK Country Unit Management team

Revenue

2018	1,605.8
2017	1,463.4
2016	1,351.9
2015	1,376.3
2014	1,347.9

Revenue by business type



1 Workplace 23%
2 Data Center, Networking & Security 19%
3 Software 24%
4 Resold Services 6%
5 Professional Services 7%
6 Managed Services 21%

Operational Command Center, Hatfield, UK

Financial performance

Revenues in the UK business increased by 9.7 per cent to £1,605.8 million (2017: £1,463.4 million).

The UK performance was driven by Technology Sourcing, with strong revenue growth remaining ahead of the market.

Our Managed Services revenue was flat in the face of continual customer pressure to reduce costs, meaning any additional work contracted in 2018 ensured we prevented any decline in this annuity-orientated service line.

Professional Services revenues were down along with isolated profitability challenges on a small number of engagements also impacting the return. Whilst it was a very difficult comparison against the prior year, the result in this area was still disappointing.

Margins in the UK declined 73 basis points with total adjusted[1] gross profit falling from 13.4 per cent to 12.7 per cent of revenues. The change in product mix towards Software suppressed Technology Sourcing margins which were flat compared to 2017. Professional Services margins suffered due to three significantly challenged Professional Services engagements coupled with utilisation challenges. This more than offset strong margin gains, excluding one difficult contract, within Managed Services which resulted from a mix of contract service extensions, better execution and additional project activity.

Adjusted[1] gross profit grew by 3.7 per cent to £203.5 million (2017: £196.2 million). Administrative expenses increased by 0.8 per cent to £145.8 million (2017: £144.7 million), with a continued focus on cost control offsetting increasing variable remuneration. This resulted in adjusted[1] operating profit growing by 12.0 per cent to £57.7 million (2017: £51.5 million).

With some notable new customers, a continued momentum in our Technology Sourcing business and a more favourable comparative in our Services business we are on course to deliver in line with our expectations for 2019.

Technology Sourcing performance

Technology Sourcing revenue increased by 17.1 per cent to £1,155.6 million (2017: £986.7 million).

The Technology Sourcing business had an extremely strong performance in the first half of 2018 across all industry sectors and a second half where growth declined against a difficult comparison. We continued to benefit from significant investment by our customers, as they continue to digitise their operations and modernise their infrastructure and seek to enhance their employee engagement.

We also experienced increasing utilisation of our financing solutions, enabling our customers to continue their investment in line with their budget plans. We expect this trend to continue which gives us confidence for the full year and beyond.

The UK business has a higher percentage of lower margin sales, particularly in Software and Workplace, than our German and French businesses and continues to lag these other segments in Technology Sourcing margins. Overall Software revenues grew by 139 per cent in the year and increased the share from 18 per cent to 24 per cent of Technology Sourcing revenue in 2018. Technology Sourcing margins were flat with an increase of three basis points compared to the prior year, with the move towards lower margin Software continuing to supress this metric. The opportunity to increase underlying margin return remains the focus of Management in the UK with small basis point increases translating to significant increases in overall adjusted[1] profitability.

Services performance

Services revenue declined by 5.6 per cent to £450.2 million (2017: £476.7 million). This resulted from a decline in Professional Services of 17.8 per cent to £116.4 million (2017: £141.6 million) and a flat performance from Managed Services which declined by 0.4 per cent to £333.8 million (2017: £335.1 million). Services margins declined by 41 basis points.

Revenue £m **+9.7%**

1,605.8

Adjusted[1] operating profit £m **+12.0%**

57.7

Services Contract Base £m **-5.3%**

304.1

The overall Services performance was disappointing but the contrast in performance between the two components of Services was stark.

Professional Services had a challenging year. The comparison against 2017 was difficult where one contract in the prior year ensured high levels of utilisation and was largely responsible for the increase in revenues of 21.2 per cent seen against 2016. With this contract completed in 2017, the business was unsuccessful in replacing the volume of work during 2018 leading to utilisation impacts, particularly in the Workplace Service Line. Compounding this has been several other material customer engagements, that have now been delivered, that underperformed in terms of margin achieved as costs incurred to complete the engagements were in excess of what was originally envisaged. Our focus, once again, was to support and deliver the engagements for our customers even in the face of individual engagement cost pressures.

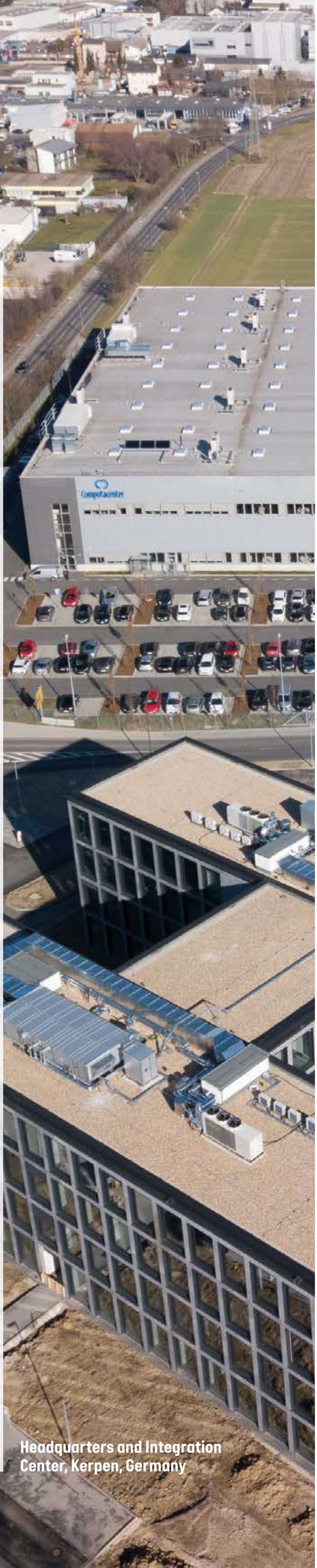
During 2018, we did not see the Professional Services growth that we were expecting and the challenged engagements significantly impacted Services profitability. We do expect improvement later in 2019 in Professional Services both in year and in the pipeline forward order book, with a greater focus on our transformation services, particularly driven by the need for our customers to migrate their workplace environments to the latest Windows platform.

Managed Services saw another busy year for successful contract extensions and renewals. This reflects the quality of service and long-term commitment to our customers. As reported last year, customers continue to bring renewal discussions forward, prior to the end of their initial term. Renewing contracts can put pressure on both revenue and margins within those contracts. During 2018, a multinational customer that had decided to insource, as reported last year, removed the service desk element of the contract, but we retained the end user support resulting in no material contribution change.

The continued focus on the successful initiatives undertaken over the past two years to drive operational efficiency in the Managed Services business has ensured that margins have been enhanced and we continue to focus on our end-to-end delivery leveraging Group capability and geographic global coverage.

Whilst new customers continued to be added to our customer base during the year, the high Managed Services renewals rate reflected our strong capabilities and offerings. Whilst the contract wins were pleasing, we are yet to be satisfied with our growth rate in this area and as a result we continue to review and adapt our approach and organisational structure across the business to align end-to-end sales and services management and delivery.

In Managed Services we will continue to focus on innovation in design and delivery and to ensure we deliver best practices to our customers to drive their IT strategy and cost management.



GERMANY

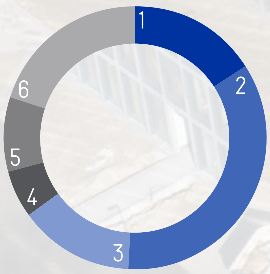
Reiner Louis
Managing Director, Germany

Members of the German Country Unit Management team

Revenue

2018	2,115.7
2017	1,954.2
2016	1,690.1
2015	1,633.1
2014	1,431.9

Revenue by business type



1 Workplace 16%
2 Data Center, Networking & Security 35%
3 Software 14%
4 Resold Services 6%
5 Professional Services 9%
6 Managed Services 20%

Headquarters and Integration Center, Kerpen, Germany

Financial performance

Total revenue increased by 8.3 per cent to €2,115.7 million (2017: €1,954.2 million) and by 9.2 per cent in reported pound sterling equivalents[2].

The German business performed well in 2018 and ended the year ahead of our expectations. Top line growth was strong and, for the first time, the German business exceeded €2 billion of revenue. Ongoing demand for infrastructure replacements, refreshes and implementing new technologies drove Computacenter's growth in Germany, based on the investments required by customers' digitisation efforts. We are pleased with the increase in the number of customers who contribute more than £1 million of margin and the performance of the existing customer base.

The good performance in 2018 was again driven by a strong Technology Sourcing business, where we achieved strong growth and improved margins. In our target market of large and international companies, Computacenter is very well positioned as the number one provider for Cloud, Networking and Security infrastructure. We have also seen good performance in our Workplace business, benefiting from Windows 10 projects and ongoing demand for collaboration infrastructure.

Services growth was satisfactory but could have been stronger. The lack of available resources across the German employment market remains a growth inhibitor, especially in our Professional Services business. Nevertheless, we achieved strong growth in this area. We saw a different picture in our Managed Services business, where we experienced limited top-line growth and a decline in margins. These challenges will drive us to implement more nearshore and offshore activities in the future.

Margins in Germany decreased by 18 basis points, with adjusted[1] gross profit decreasing from 12.5 per cent to 12.3 per cent of revenues. Adjusted[1] gross profit grew by 6.9 per cent to €261.4 million (2017: €244.6 million) and by 7.6 per cent in reported pound sterling equivalents[2].

Administrative expenses increased by 4.0 per cent to €185.8 million (2017: €178.6 million), and by 5.0 per cent in reported pound sterling equivalents[2]. The cost increase was in line with our expectations. We have invested in areas where we need new talent and special skills to support future growth. Indirect cost growth remains tightly controlled. We have improved operational processes and controls around cash management and achieved good results, especially at the year end.

Adjusted[1] operating profit for the German business increased by 14.5 per cent to €75.6 million (2017: €66.0 million) and by 14.6 per cent in reported pound sterling equivalents[2]. 2018 was pleasing from a financial performance perspective. Bottom-line results benefited from strong top-line growth in Technology Sourcing and Professional Services. The outcome for the year could have been stronger if we had been able to perform better on a handful of difficult contracts in our Managed Services portfolio.

Although market conditions are weakening and there are some uncertainties related to the German economy and the political environment in the European Union, there is still a good chance for further growth in the upcoming year. Computacenter's Technology Sourcing business in Germany might be affected by declining demand for new Cloud infrastructure from one of our major customers. Technology Sourcing growth may therefore be more difficult in 2019. We expect to have strong Professional Services growth and should see significant improvements on Services margins in our Managed Services business as we turnaround the performance of our difficult contracts. Whilst renewal activities will be our focus, we have identified some strategic opportunities in our existing customer base, to create Contract Base growth.

Revenue €m **+8.3%**

2,115.7

Adjusted[1] operating profit €m **+14.5%**

75.6

Services Contract Base €m **+6.1%**

412.0

Technology Sourcing performance

Technology Sourcing revenue grew by 9.9 per cent to €1,502.9 million (2017: €1,367.7 million) and by 10.8 per cent in reported pound sterling equivalents[2].

After an excellent Technology Sourcing performance in both 2016 and 2017, the business again performed well in 2018 and was the major driver of the strong overall performance.

Cloud, Security and Networking are still the areas of strong customer demand. We saw exceptional growth in the Data Center market, with broad customer investments in private and hybrid cloud infrastructures. We also benefited from one hyperscale customer, where we expanded the cloud infrastructure for their software platform. From a vertical perspective, we have seen ongoing demand and strong investments from Public Sector customers, especially to renew, build and extend government-owned cloud and networking infrastructures. After a delay to approving the Federal Government budgets, we saw a much stronger second half of the year in the Public Sector. Other industries such as automotive and production also significantly invested in additional infrastructure, to support new business models and digitisation efforts. We also achieved good growth in our Workplace business. After two years of lower growth rates, we saw the first impact of Windows 10 migrations and the related infrastructure refreshes. Our Industrie 4.0 initiative delivered good results, generating new business in the production areas of customers we already do business with in the traditional office environment.

We successfully opened our new Integration Center based in Kerpen. The facility is approximately 30,000m^2, giving us more space and flexibility for the future, especially in the area of complex Data Center integration projects with 'Rack and Roll' requirements. The move into the new facility in November went well, without any impact on the important year-end business. The associated office building on the same site for 650 people is still on schedule and will be officially opened on 4 April 2019.

Technology Sourcing margins continued to strengthen as the product mix moved to high value elements and increased by 74 basis points over last year.

Services performance

Services revenue grew by 4.5 per cent to €612.8 million (2017: €586.5 million) and by 5.5 per cent in reported pound sterling equivalents[2]. This included Professional Services growth of 8.9 per cent to €188.2 million (2017: €172.8 million), an increase of 10.0 per cent in reported pound sterling equivalents[2], and Managed Services growth of 2.6 per cent to €424.6 million (2017: €413.7 million), an increase of 3.6 per cent in reported pound sterling equivalents[2].

Whilst Services revenue growth was in line with expectations for the year, bottom line performance was impacted by additional costs in Managed Services, to stabilise and resolve technical challenges in new contracts. In addition, we suffered from the overall resource shortage in the German employment market. Higher attrition rates resulted in additional recruiting efforts and larger salary increases which has impacted the overall Services cost base. Some of these additional costs have been covered by price increases, however, it will take some time to recover the cost base, especially in our Managed Services business where we have long-term commitments.

In our Professional Services business, the year started a little weaker than planned but we saw increasing demands from customers in nearly all technology areas, over the rest of the year. The outcome for the year was strong, with near double-digit top-line growth and improved margins. We have seen increasing demand for Windows 10 proof of concepts, migrations and rollouts. This should drive further business throughout 2019. In addition, cloud infrastructure builds and network refreshes continue to generate strong Professional Services demand. Public Sector investment continues to produce good opportunities for the future and some great new wins of long-term framework contracts. We are still benefiting from our infrastructure consultancy practice, where we get excellent feedback from customers regarding skills and capabilities.

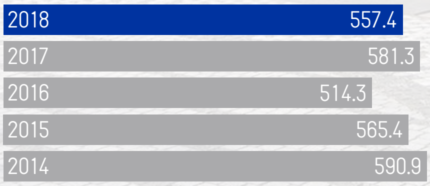
Our Managed Services business is the larger part of our Services portfolio but it is not growing as quickly as the Professional Services business. We have successfully renewed some of our existing major contracts but we also lost two contracts. However, we also won two new material contracts and, with a relatively stable maintenance business, we were able to grow our Contract Base by 6.1 per cent. Managed Services margins were materially impacted by Entry Into Service and Transformation cost overruns for two deals won in 2017 and implemented this year. During 2018, we undertook some initiatives across our Managed Services business to stabilise operations and drive effectiveness. This has generated some additional costs we had not expected at the beginning of the year. Overall, the Managed Services margin is still below the level we should achieve, due to the financial underperformance of these challenging contracts. We should see major improvements in the upcoming years, given the investments we have made in 2018. Overall, the Services margin was 214 basis points lower than last year.

FRANCE

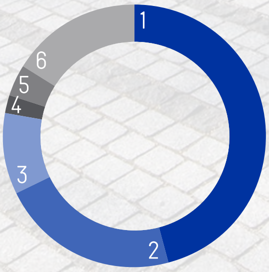
Arnaud Lepinois
Managing Director, France

Members of the French Country Unit Management team

Revenue



Revenue by business type



1 Workplace 46%
2 Data Center, Networking & Security 22%
3 Software 10%
4 Resold Services 2%
5 Professional Services 4%
6 Managed Services 16%

France headquarters, Roissy, France

Financial performance

Total revenue decreased by 4.1 per cent to €557.4 million (2017: €581.3 million). In reported pound sterling equivalents[2], total revenue was down 3.3 per cent.

The French business completed the restructuring of its customer portfolio during 2018, which leaves it with a stable base of large customers within its target customer set. Total revenue decreased because of the loss of a very large software contract in the Public Sector, which generated very low margins. Whilst the loss of the contract is disappointing, it is not that impactful in terms of adjusted[1] profitability. We are pleased with the other highlights in Technology Sourcing in 2018, having developed our business offerings and signed new customers who are sourcing higher-margin products. The Services business was challenged by a quiet first half in Professional Services, the loss of a large contract with a utility customer, noted last year and year-on-year price reductions on our three largest Managed Services contracts, as a result of renewal negotiations. New Managed Services contracts signed in 2018 did not contribute for a full 12 months and therefore did not offset the overall revenue reduction on the renewed contracts. The number of Managed Services contract wins gives us confidence that we can continue to develop our footprint in the French market.

After a very good 2017, we expected that our 2018 performance would be challenging, primarily because of renewals of several of our largest customer contracts. We are proud to have renewed them all in 2018. At the same time, our strategy of focusing on large accounts is performing well, with many new customer wins in the Private Sector. We completely reorganised our sales force by industry within the Private Sector and focused on the execution of very large framework contracts within the Public Sector. As a result, we refreshed 30 per cent of our Sales Specialist positions, to fit with our revised go-to-market propositions.

We will continue to focus on large organisations, helping their IT decision makers to enable users with advanced support and guidance and supporting their businesses by delivering outstanding infrastructure services and solutions. In this context, our alignment with our Group propositions and service capabilities remains key. To enforce this alignment and support further growth, we have signed off an investment plan for 2019 to increase significantly our resources in operations. To support talent development and attraction, we launched the Computacenter University to recruit, train and certify new resources, ready to support our growth in the Workplace and Data Center spaces. We are extending our Managed Services capabilities by opening a new Service Center location in France, in mid-2019, to increase our capacity and resilience for Service Desk operations.

The transition to Arnaud Lepinois as the new Managing Director has been completed and the new management team is now in place to execute the plan.

Margins in France increased by 80 basis points, with adjusted[1] gross profit increasing from 10.5 per cent to 11.3 per cent of revenues.

Overall adjusted[1] gross profit grew by 3.3 per cent to €62.9 million (2017: €60.9 million) and by 4.1 per cent in reported pound sterling equivalents[2].

Management has continued to focus on cost control within the French business, which has seen an increase in administrative expenses of only 0.5 per cent to €54.9 million (2017: €54.6 million), and of 1.5 per cent in reported pound sterling equivalents[2].

Adjusted[1] operating profit for the French business increased by 27.0 per cent to €8.0 million (2017: €6.3 million), and by 26.8 per cent in reported pound sterling equivalents[2].

Revenue €m **-4.1%**

557.4

Adjusted[1] operating profit €m **+27.0%**

8.0

Services Contract Base €m **+4.7%**

90.7

Technology Sourcing performance

Technology Sourcing revenue decreased by 3.6 per cent to €444.9 million (2017: €461.6 million) and by 2.8 per cent in reported pound sterling equivalents[2].

In 2018, we lost a very high revenue and low-margin software contract in the Public Sector. Private Sector revenue grew strongly and included new wins in our target customer set, which is a pleasing affirmation of our strategy to broaden the customer base. We will continue to drive growth by securing our market share in the Public Sector and striving for ambitious growth in strategic Private Sector accounts. During the year, we renewed our most important Technology Sourcing framework contract. Revenues declined whilst the contract was being renewed, as volumes naturally fell, but margins were not impacted. As we head into 2019, we see the volumes once again increasing, albeit on tighter margins in the short term.

Having achieved a real improvement in Technology Sourcing margin during 2017, to lead the Group, we were pleased to again see an increase in our margin. This was mainly due to a reduction in low-margin contracts and a change in the business mix towards higher value, higher margin products. Improving our business mix towards Data Center, Networking and Security was our priority and we made good progress in 2018, with revenue growth in Data Center and Security, compared to a decrease in Workplace. Overall, Technology Sourcing margins increased by 102 basis points.

Services performance

Services revenue declined by 6.0 per cent to €112.5 million (2017: €119.7 million) and by 5.1 per cent in reported pound sterling equivalents[2]. Professional Services increased by 3.4 per cent to €21.4 million (2017: €20.7 million), which was an increase of 4.4 per cent in reported pound sterling equivalents[2]. Managed Services declined by 8.0 per cent to €91.1 million (2017: €99.0 million), a decrease of 7.0 per cent in reported pound sterling equivalents[2].

The Managed Services performance was as expected given the loss of a contract at the end of 2017 with a utility customer and the price reductions on our three largest Managed Services contracts, due to anticipated service improvements, automation, volume reduction and pre-agreed cost optimisations.

We implemented two new contracts in 2018 and recently won two others that are currently in the Entry Into Service phase. This has helped maintain stability within our Managed Services Contract Base, which was up 4.7 per cent at the end of the year compared to the previous year. We will again have to deal with large renewals in 2019 but the mid-term pipeline is encouraging, and we believe our Contract Base will continue the growth seen this year.

Although activity remains relatively low, our Professional Services business made pleasing progress and has strong growth ambitions for 2019. We are confident we can achieve this, as we have further refined our target customer base, improved vendor partnerships and defined a clear portfolio of solutions around End User, Data & Analytics, Cloud & Data Center, Networking and Security. Several projects signed at the end of 2018 will support the growth in 2019.

Services margins were flat, increasing by one basis point over last year. Services margins were under significant pressure in our Managed Services business, due to the contract renewals. Professional Services margins were constrained by a difficult international project that ended in December.

INTERNATIONAL

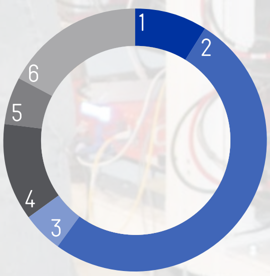
Mike Keogh
Managing Director, US

Lieven Bergmans
Managing Director, Rest of Europe

Revenue

2018	380.8
2017	105.4
2016	91.0
2015	84.7
2014	129.9

Revenue by business type



1 Workplace 9%
2 Data Center, Networking & Security 51%
3 Software 5%
4 Resold Services 12%
5 Professional Services 6%
6 Managed Services 17%

Integration Center, Newark, California, USA

International Segment

The International Segment comprises a number of trading entities and offshore Global Service Desk delivery locations. The trading entities include: Computacenter USA, which provides local Services to the American subsidiaries of a number of large Western European Group customers; FusionStorm, the US-based IT solutions provider acquired on 30 September 2018; Computacenter Switzerland, which mainly provides Services to the Swiss subsidiaries of our global customers as well as some local customers; Computacenter Belgium; and Computacenter Netherlands, which was formerly known as Misco Solutions B.V. and was acquired by the Group on 1 September 2018.

These trading entities are complemented by the offshore Global Service Desk entities in Spain, Malaysia, India, South Africa, Hungary, Poland, China and Mexico, which have limited external revenues.

FusionStorm and the Swiss, Belgian and Dutch entities have in-country sales organisations, which enable us to sell to local customers.

Financial performance

Revenues in the International business increased by 261.3 per cent to £380.8 million (2017: £105.4 million) and by 264.8 per cent in constant currency[2].

Adjusted[1] gross profit increased by 83.2 per cent to £57.9 million (2017: £31.6 million), and by 85.0 per cent in constant currency[2].

Administrative expenses increased by 102.2 per cent to £45.5 million (2017: £22.5 million) and by 104.0 per cent in constant currency[2].

Overall adjusted[1] operating profit increased by 36.3 per cent to £12.4 million (2017: £9.1 million) and by 37.8 per cent in constant currency[2].

The result has been driven by £270.9 million of revenues, and £2.7 million of adjusted[1] profit before tax, resulting from the acquisitions made in the second half of the year. All figures reported throughout this Annual Report and Accounts include the results of the acquired entities.

Technology Sourcing Performance

Technology Sourcing revenue increased by 584.1 per cent to £297.6 million (2017: £43.5 million) and by 579.5 per cent in constant currency[2].

Following the acquisitions, FusionStorm added £237.8 million and Computacenter Netherlands added £16.8 million to Technology Sourcing revenues in 2018.

Services performance

Services revenue increased by 34.4 per cent to £83.2 million (2017: £61.9 million) and by 37.3 per cent in constant currency[2].

Professional Services revenue increased by 145.1 per cent in both actual and constant currency[2], to £20.1 million (2017: £8.2million). Managed Services revenue increased by 17.5 per cent to £63.1 million (2017: £53.7 million), an increase of 20.4 per cent in constant currency[2].

Following the acquisitions, FusionStorm added £8.2 million of Professional Services revenues during 2018, whilst Computacenter Netherlands added £8.1 million of Managed Services revenues.

Rest of Europe

The European trading entities within International operate under an internal management structure called Rest of Europe.

Our Swiss operations continue to perform well and saw pleasing growth in both revenues and adjusted[1] operating profitability in 2018, with increases of 16.0 per cent and 22.3 per cent respectively, both in constant currency[2]. The acquisition of cITius in January 2017 has expanded the range of services that the Swiss business can offer and increased our ability to bid for opportunities within our customer base. Additionally, the take-on of a large international Managed Services contract across the Group has increased local revenue.

Our Belgian operations experienced a slight fall in revenue of 1.6 per cent in constant currency[2], and an increase in adjusted[1] operating profit of13.7 per cent in constant currency[2]. Our Services business revenues were down slightly. Expanding the Managed Services Contract Base remains a key focus for Management, to drive Services revenue growth in line with our plans. Our Technology Sourcing business was flat and the Intel chip shortage had a negative effect on end of year revenues within our Workplace line of business. In the second half, we were able to build an improved pipeline for more complex infrastructure and networking opportunities. We successfully closed some of these towards the end of 2018 and we hope to identify further opportunities in 2019.

On 1 September 2018, we acquired Misco Solutions B.V. The business is a value-added reseller and solutions provider to the Public and Private sectors, based in Amstelveen and Bodegraven, the Netherlands. We are excited to enter this new territory, as the Netherlands is an adjacent European market

Revenue £m **+261.3%**

380.8

Adjusted[1] operating profit £m **+36.3%**

12.4

Services Contract Base £m **-7.4%**

17.7

for us and we look forward to building long-term relationships with local customers. Our direct local presence in the Netherlands will also enhance our support to a number of Computacenter's largest international clients, for whom this is a key location.

We have rebranded the business to Computacenter Netherlands and focused on integration into the Group. Whilst the business made a small loss during the first four months of operation, we are confident that we will improve the performance to be more like our similar Belgian operation over time.

Our 2019 challenges for the Rest of Europe grouping are focused on further integration of tools and processes in the Netherlands. We also look forward to expanding both our customer base and capabilities in Switzerland. The focus in Belgium will be to grow our sales capacity and Managed Services pipeline.

We continue to review opportunities to extend our Western European footprint, by entering into adjacent territories or by increasing our capabilities in existing locations by adding complementary activities within either our Services or Technology Sourcing businesses.

Computacenter USA & FusionStorm

Computacenter USA provides local services to the American subsidiaries of a number of large Western European Group customers. FusionStorm is a value-added reseller of hardware and software solutions, which we acquired on 1 October 2018. These trading entities are complemented by the Service Center entity in Mexico, which has limited external revenues. On top of their operational delivery capabilities, the US and FusionStorm entities have in-country sales organisations, which enable us to engage with local customers, and we have begun the integration of these teams with effect from 1 January 2019, as part of our larger integration efforts.

Computacenter USA is a Services business which provides Managed Services to the US subsidiaries of our Western European headquartered customers. For the third consecutive year, a large Group customer extended its Services scope into the Americas region which reflects the increasing demand for global service support. In addition, we continued to invest in our nearshore Service Center location in Mexico City which, since going live in 2016, has exceeded service level and financial performance targets.

The FusionStorm business exceeded the Services and Technology Sourcing growth targets we set as part of the acquisition process. The Services growth was driven primarily by hyperscale customer rollouts of data center and networking infrastructure projects plus an increase in its expert services business. Following the acquisition, the fourth quarter saw the two highest revenue months of configured solution shipments from our Integration Center in Newark, CA, in the heart of Silicon Valley. December was particularly notable, as it was a record month which more than doubled the monthly average Integration Center volumes seen in the prior 12 months.

As we move into 2019, we see a number of opportunities to enhance the acquired business and to leverage revenue synergies between the new and existing American operations. We will open a new Integration Center in California, tripling the capacity of the existing facility and leveraging Group knowledge on logistics, most recently employed on the new Kerpen Integration Center. We will also begin to pursue opportunities to deliver Technology Sourcing solutions into existing US Services customers, a number of whom have already enquired about this capability. We will look to provide Technology Sourcing solutions to other Western European customers for whom we do not currently transact any business in the USA. Early in 2019, we closed our first deal of this nature with one of the world's leading betting and gaming companies which is expanding its US operations.

Group Finance Director's review

Enabling success by building long-term trust

WHILST THE UK'S DEPARTURE FROM THE EU IS FREQUENTLY SEEN AS ONLY A RISK OR A NEGATIVE EVENT, IT MAY ALSO CREATE NEW OPPORTUNITIES AND WE REMAIN WELL POSITIONED TO SUPPORT OUR CUSTOMERS WHATEVER THE OUTCOME.

Tony Conophy
Group Finance Director

The strength of Technology Sourcing continues to drive the Group's performance. The Group result was underpinned by an improving performance in France, another strong result in Germany and recovering UK revenues.

Germany again significantly exceeded our expectations from what was a very good comparative in 2017. This was well supported by strong Technology Sourcing growth in both the UK and France as customers invest in new technology, particularly in Security, Networking and Workplace. Overall, Professional Services revenue across the Group was weaker than expected, mainly due to a decline in the UK, following strong growth in 2017. Demand for our Professional Services resources in Germany has continued to outstrip our capacity to service new customers and assist with difficult Managed Services business take-ons. Managed Services growth was flat overall, although a significant reduction in France offset pleasing growth in Germany and a flat performance in the UK. Several difficult contracts in the UK and Germany reduced the expected margin.

Across all Segments and revenue lines, growth has been driven by the continued performance of key existing customer accounts, rather than the addition of material new customers.

A reconciliation between key adjusted[1] and statutory measures is provided on page 57 of this Group Finance Director's review. Further details are provided in note 4 to the Consolidated Financial Statements, segment information. For the avoidance of duplication, further information on the Group's financial performance can be found on pages 46 to 55 of this Strategic Report.

Profit before tax

The Group's statutory profit before tax decreased by 3.2 per cent to £108.1 million (2017: £111.7 million). Adjusted[1] profit before tax increased by 11.3 per cent to £118.2 million (2017: £106.2 million) and by the same amount in constant currency[2].

The difference between statutory profit before tax and adjusted[1] profit before tax primarily relates to the Group's reported net loss of £10.1 million (2017: net gain of £5.5 million) from exceptional and other adjusting items, primarily as a result of the acquisition of FusionStorm on 30 September 2018. Further information on these items can be found on page 60.

Reconciliation from statutory to adjusted[1] measures for the year ended 2018

	Statutory results £'000	Adjustments: CSF interest £'000	Adjustments: Amortisation of acquired intangibles £'000	Adjustments: Utilisation of deferred tax £'000	Adjustments: Exceptionals and others £'000	Adjusted[1] results £'000
Revenue	**4,352,570**	–	–	–	–	**4,352,570**
Cost of sales	**(3,804,019)**	(293)	–	–	–	**(3,804,312)**
Gross profit	**548,551**	(293)	–	–	–	**548,258**
Administrative expenses	**(439,183)**	–	4,451	–	5,240	**(429,492)**
Operating profit	**109,368**	(293)	4,451	–	5,240	**118,766**
Finance income	**1,250**	–	–	–	–	**1,250**
Finance costs	**(2,490)**	293	–	–	417	**(1,780)**
Profit before tax	**108,128**	–	4,451	–	5,657	**118,236**
Income tax expense	**(27,199)**	–	(1,169)	1,933	(4,444)	**(30,879)**
Profit for the year	**80,929**	–	3,282	1,933	1,213	**87,357**

Reconciliation from statutory to adjusted[1] measures for the year ended 2017

	Statutory results £'000	Adjustments: CSF interest £'000	Adjustments: Amortisation of acquired intangibles £'000	Adjustments: Utilisation of deferred tax £'000	Adjustments: Exceptionals and others £'000	Adjusted[1] results £'000
Revenue	**3,793,371**	–	–	–	–	**3,793,371**
Cost of sales	**(3,297,142)**	(159)	–	–	–	**(3,297,301)**
Gross profit	**496,229**	(159)	–	–	–	**496,070**
Administrative expenses	**(389,437)**	–	225	–	(1,371)	**(390,583)**
Operating profit	**106,792**	(159)	225	–	(1,371)	**105,487**
Gain on disposal of an investment property	**4,320**	–	–	–	(4,320)	**–**
Finance income	**1,521**	–	–	–	–	**1,521**
Finance costs	**(938)**	159	–	–	–	**(779)**
Profit before tax	**111,695**	–	225	–	(5,691)	**106,229**
Income tax expense	**(30,381)**	–	(31)	3,457	351	**(26,604)**
Profit for the year	**81,314**	–	194	3,457	(5,340)	**79,625**

Revenue

	Half 1 £m	Half 2 £m	Total £m
2016	1,478.2	1,767.2	3,245.4
2017	1,700.3	2,093.1	3,793.4
2018	**2,008.9**	**2,343.7**	**4,352.6**
2018/17	18.1%	12.0%	14.7%

Adjusted[1] profit before tax

	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
2016	25.3	1.7%	61.1	3.5%	86.4	2.7%
2017	41.9	2.5%	64.3	3.1%	106.2	2.8%
2018	**52.1**	**2.6%**	**66.1**	**2.8%**	**118.2**	**2.7%**
2018/17	24.3%		2.8%		11.3%	

Revenue by Segment

	2018			2017		
	Half 1 £m	Half 2 £m	Total £m	Half 1 £m	Half 2 £m	Total £m
UK	**858.1**	**747.7**	**1,605.8**	662.8	800.7	1,463.4
Germany	**866.0**	**1,006.7**	**1,872.7**	760.3	954.4	1,714.7
France	**230.7**	**262.6**	**493.3**	228.6	281.3	509.9
International	**54.1**	**326.7**	**380.8**	48.6	56.8	105.4
Total	**2,008.9**	**2,343.7**	**4,352.6**	1,700.3	2,093.1	3,793.4

Adjusted[1] operating profit by Segment

	2018					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	**25.8**	**3.0%**	**31.9**	**4.3%**	**57.7**	**3.6%**
Germany	**32.2**	**3.7%**	**34.7**	**3.4%**	**66.8**	**3.6%**
France	**2.1**	**0.9%**	**5.0**	**1.9%**	**7.1**	**1.4%**
International	**3.4**	**6.3%**	**9.0**	**2.8%**	**12.4**	**3.3%**
Central Corporate Costs	**(11.4)**		**(13.8)**		**(25.2)**	
Total	**52.1**	**2.6%**	**66.7**	**2.8%**	**118.8**	**2.7%**

	2017					
	Half 1		Half 2		Total	
	£m	% Revenue	£m	% Revenue	£m	% Revenue
UK	21.4	3.2%	30.1	3.8%	51.5	3.5%
Germany	20.7	2.7%	37.6	3.9%	58.3	3.4%
France	1.5	0.7%	4.1	1.5%	5.6	1.1%
International	5.0	10.3%	4.1	7.2%	9.1	8.6%
Central Corporate Costs	(7.2)		(11.8)		(19.0)	
Total	41.4	2.4%	64.1	3.1%	105.5	2.8%

Profit for the year

The statutory profit for the year decreased by 0.5 per cent to £80.9 million (2017: £81.3 million). The adjusted[1] profit for the year increased by 9.8 per cent to £87.4 million (2017: £79.6 million) and by 9.9 per cent in constant currency[2].

Net finance income

Net finance cost in the year amounted to £1.2 million on a statutory basis (2017: income of £0.6 million). The charge includes £0.5 million relating to interest on the £100 million facility drawn down for the FusionStorm acquisition and £0.3 million for the unwind of the discount on the deferred consideration for the purchase of TeamUltra (2017: cost of £0.1 million). It also includes exceptional interest costs relating to the unwind of the discount on the deferred consideration for the purchase of FusionStorm of £0.4 million and CSF interest of £0.3 million (2017: £0.2 million), both of which are excluded on an adjusted[1] basis.

On an adjusted[1] basis, the net finance cost was £0.5 million in 2018 (2017: income of £0.7 million).

Taxation

The statutory tax charge was £27.2 million (2017: £30.4 million) on statutory profit before tax of £108.1 million (2017: £111.7 million). This represents a statutory tax rate of 25.2 per cent (2017: 27.2 per cent). The Group's adjusted[1] tax rate has benefited from the historical tax losses in Germany, which were fully utilised during the year. The utilisation of the asset of £1.9 million (2017: £3.5 million) has impacted the statutory tax rate but is considered to be outside of our adjusted[1] tax measure. In 2018, this impact increased the statutory tax rate by 1.8 per cent (2017: 3.1 per cent).

In 2018, a credit of £1.4 million arising from the tax benefit on the FusionStorm exceptional acquisition costs has been recognised as tax on exceptional items. In 2017, a tax charge of £0.4 million was recorded as tax on exceptional items, related to the release of the remaining German onerous contract provisions. A further tax credit of £3.1 million was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in a material in-year tax benefit. This activity included settlement of phantom stock awards, deal bonus and change of control payments which were settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, we have classified this as an exceptional tax item. Further, this tax benefit is larger than the adjusted[1] profit before tax of £2.9 million achieved by FusionStorm since the acquisition.

The tax credit related to the amortisation of acquired intangibles was £1.2 million (2017: £0.03 million). The significant increase relates to the £4.2 million of amortisation of acquired intangible assets charged against the assets recognised as a result of the FusionStorm acquisition. As the amortisation is recognised outside of our adjusted[1] profitability, the tax benefit on the amortisation is also only recognised in the statutory tax charge.

The adjusted[1] tax charge on ordinary activities was £30.9 million (2017: £26.6 million), on an adjusted[1] profit before tax of £118.2 million (2017: £106.2 million). The effective tax rate (ETR) was therefore 26.1 per cent (2017: 25.0 per cent) on an adjusted[1] basis. The 2018 ETR was higher than the previous year primarily due to the increasing cash tax in Germany, as the historical tax losses readily available for use have now been fully utilised. The ETR, excluding the impact of FusionStorm, is within the range that we indicated during the year at 26.5 per cent (H1 2018: 27.1 per cent).

The increasing adjusted[1] tax rate in 2018 in Germany, as the last of the readily available losses have been utilised, has had a direct effect on the Group adjusted[1] ETR. At 2018 levels of profitability, the increase in German cash tax would raise the Group adjusted[1] ETR from 26.1 per cent in 2018 to 27.8 per cent in 2019, without regard to other factors that could influence the Group's adjusted[1] ETR. Factors that could also increase the Group's adjusted[1] ETR in 2019 include the increasing reweighting of the geographic split of adjusted[1] profit before tax from the UK to Germany, where tax rates are substantially higher.

The Group Tax Policy was reviewed during the year and approved by the Audit Committee and the Board, with no material changes from the prior year. We make every effort to pay all the tax attributable to profits earned in each jurisdiction that we operate in. We do not artificially inflate or reduce profits in one jurisdiction to provide a beneficial tax result in another and maintain approved transfer pricing policies and programmes, to meet local compliance requirements. Virtually all of the statutory tax charge in 2018 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 2018, the revised Group Transfer Pricing policy, implemented in 2016, resulted in a royalty payment charged by Computacenter UK to Computacenter Germany equivalent to one per cent of revenue or £19.5 million (2017: £17.4 million). This royalty charge was driven by our tax advisors' interpretation of the Organisation for Economic Co-operation and Development (OECD) base erosion and profit shifting requirements. The royalty charge is recorded outside the Segmental results found in note 4 to the Consolidated Financial Statements, segment information, which analyses Segmental results down to adjusted[1] operating profit.

The table below reconciles the statutory tax charge to the adjusted[1] tax charge for the year ended 31 December 2018.

	2018 £'000	2017 £'000
Statutory tax charge	**27,199**	30,381
Adjustments to exclude:		
Utilisation of German deferred tax assets	**(1,933)**	(3,457)
Exceptional tax items	**3,091**	–
Tax on amortisation of acquired intangibles	**1,169**	31
Tax on exceptional items	**1,353**	(351)
Adjusted[1] tax charge	**30,879**	26,604
Statutory ETR	**25.2%**	27.2%
Adjusted[1] ETR	**26.1%**	25.0%

Exceptional and other adjusting items

The net loss from exceptional and other adjusting items in the year was £6.4 million (2017: gain of £1.7 million). Excluding the tax items noted above which resulted in a statutory gain of £3.7 million (2017: loss of £3.8 million), the profit before tax impact was a net loss from exceptional and other adjusting items of £10.1 million (2017: gain of £5.5 million).

An exceptional loss during the year of £5.2 million resulted from costs directly relating to the acquisition of FusionStorm. These costs include a severance payment for the FusionStorm Chief Executive Officer, agreed as part of the acquisition, advisor fees and a finder's fee that was paid on completion of the transaction. These costs are non-operational in nature, material in size and unlikely to recur and have therefore been classified as outside our adjusted[1] results. A further £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs. The amortisation of acquired intangible assets was £4.5 million (2017: £0.2 million), with the increase due to the amortisation of the intangibles acquired as part of the FusionStorm acquisition. We have continued to exclude the effect of amortisation of acquired intangible assets in calculating our adjusted[1] results. Amortisation of intangible assets is non-cash, and is significantly affected by the timing and size of our acquisitions, which distorts the understanding of our Group and Segmental operating results.

The gain in 2017 resulted from the disposal of an investment property in Braintree, Essex, and the release of the remaining provisions for the last two onerous contracts in Germany. The £4.3 million gain on disposal, net of disposal costs, was classified as exceptional due to the size and non-operational nature of the transaction. The release of the remaining onerous contract provisions resulted in an exceptional gain of £1.4 million, as these provisions, originally booked as exceptional items, were no longer required.

Earnings per share

Adjusted[1] diluted earnings per share increased from 65.1 pence in 2017 to 75.7 pence in 2018, due to the increased earnings generated by the business and a lower diluted weighted average number of shares, as a result of the Tender Offer buyback of ordinary shares completed in February 2018. The statutory diluted earnings per share increased from 66.5 pence in 2017 to 70.1 pence in 2018.

	2018	2017
Basic weighted average number of shares (excluding own shares held) (no.'000)	**113,409**	120,766
Effect of dilution:		
Share options	**1,984**	1,471
Diluted weighted average number of shares	**115,393**	122,237
Statutory profit for the year attributable to equity holders of the Parent (£'000)	**80,929**	81,314
Basic earnings per share (pence)	**71.4**	67.3
Diluted earnings per share (pence)	**70.1**	66.5
Adjusted[1] profit for the year attributable to equity holders of the Parent (£'000)	**87,357**	79,625
Adjusted[1] basic earnings per share (pence)	**77.0**	65.9
Adjusted[1] diluted earnings per share (pence)	**75.7**	65.1

Net funds

Cash and cash equivalents decreased from £206.6 million at the end of 2017 to £204.4 million as at 31 December 2018. During the year the Company completed a buyback of ordinary shares, by way of Tender Offer, for £100 million.

The Group saw an increase in its overall cash generation from operations in 2018, with record net cash flow from operating activities of £115.2 million (2017: £106.1 million). This continues our story of cash generation seen over recent years, with the year-end cash position again very strong. Working capital trends continued to affect cash volatility at the year end with higher fourth-quarter product sales and an increase in early customer payments, ahead of the associated payment for product. The Group days payables outstanding are marginally higher than the Group days sales outstanding and therefore when sales are high we tend to have a lower working capital requirement overall.

Net funds[3] decreased from £191.2 million at the end of 2017 to £57.3 million as at 31 December 2018.

The Group had two specific facilities at the end of the year and no other material borrowings. The Group drew down a £100 million facility on 1 October 2018 to complete the acquisition of FusionStorm. This facility is over a three-year term. The Group also had the specific facility for the build and purchase of our new German headquarters and Integration Center in Kerpen which was £31.4 million (2017: £10.7 million) as at 31 December 2018. The Integration Center opened in November 2018 and is fully operational. The office facility is due to open in March 2019, which will conclude the project.

Capital expenditure in the year was £51.4 million (2017: £40.1 million) and was primarily the investment in our German headquarters, additional SAP licence spend and other investments in IT equipment and software tools, to enable us to deliver improved service to our customers.

The Group continued to appropriately manage its cash and working capital positions using standard mechanisms, to ensure that cash levels remained within expectations throughout 2018. The Group had no debt factoring at the end of the year outside the normal course of business.

In certain circumstances, the Group enters into customer contracts that are financed by leases or loans. The leases are secured only on the assets that they finance. Whilst the outstanding balance of CSF is included within net funds[3] for statutory reporting purposes, this balance is offset by contracted future receipts from customers. Computacenter retains the credit risk on these customers and ensures that credit risk is only taken on customers with a strong credit rating. CSF increased in the year from £4.7 million to £8.9 million, all within Germany. CSF remains low compared to historical levels, due to reduced customer demand in light of the current credit environment. However, we are seeing increasing use on a deal-by-deal basis. Currently we apply a higher cost of finance to these transactions than customers' marginal cost of finance to discourage this activity.

There were no interest-bearing trade payables as at 31 December 2018 (2017: nil). The Group's net funds[3] position contains no current asset investments (2017: nil).

Trade Creditor arrangements

Computacenter has a strong covenant and enjoys a favourable credit rating from IT vendors and suppliers. Some suppliers provide credit directly on their own credit risk, whereas some suppliers decide to sell the debt to banks which offer to purchase the receivables and manage collection. The credit terms offered by suppliers are typically between 30 and 60 days, whether provided directly or when sold to a third party finance provider. In the latter case the cost of the free trade credit period is paid by the relevant supplier as part of the overall package of terms provided by suppliers to Computacenter and our competitors. The finance providers offer extended credit terms at relatively low interest rates, however, these rates are always higher than the rate at which we deposit and therefore we do not currently avail of this facility.

Dividends

The Group remains highly cash generative and net funds[3] continue to regenerate on the Consolidated Balance Sheet, following the share buyback and the acquisition of FusionStorm. Computacenter's approach to capital management is to ensure that the Group has a robust capital base and maintains a strong credit rating, whilst aiming to maximise shareholder value. If further funds are not required for investment within the business, either for fixed assets or working capital support, and the distributable reserves are available in the Parent Company, we will aim to return the additional cash to investors through one-off returns of value, as we did in February 2018. Dividends are paid from the standalone Balance Sheet of the Parent Company and, as at 31 December 2018, the distributable reserves were approximately £184.4 million (2017: £298.9 million).

The Board is pleased to propose a final dividend of 21.6 pence per share. The interim dividend paid on 12 October 2018 was 8.7 pence per share. Together with the final dividend, this brings the total ordinary dividend for 2018 to 30.3 pence per share, representing a 16.1 per cent increase on the 2017 total dividend per share of 26.1 pence. The Board has consistently applied the Company's dividend policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times based on adjusted[1] diluted earnings per share. In 2018, the cover was 2.5 times (2017: 2.5 times).

Subject to the approval of shareholders at our Annual General Meeting on 16 May 2019, the proposed dividend will be paid on Friday 28 June 2019. The dividend record date is set as Friday 31 May 2019 and the shares will be marked ex-dividend on Thursday 30 May 2019.

Capital management

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

Implementation of, and transition to, IFRS 15 Revenue Recognition

Basis of preparation

The Group has adopted IFRS 15 from 1 January 2018, which has resulted in changes in accounting policies and adjustments to the amounts recognised in the Financial Statements. The standard provides a single model for measuring and recognising revenue arising from contracts with customers. It supersedes all existing revenue requirements in IFRS. Under IFRS 15, revenue is recognised when customers obtain control of goods or services and so are able to direct the use, and obtain the benefits, of those goods or services.

Importantly, and in accordance with the modified retrospective transition approach, the comparative results for the year ended 31 December 2017 have not been restated under the accounting policies adopted as a result of transition to IFRS 15. Under the transition approach adopted, the retrospective cumulative impact of IFRS 15 has been recognised within the opening balance of retained earnings as at 1 January 2018. The overall net impact of all adjustments was a credit to retained earnings of £6.5 million as at 1 January 2018.

An analysis of the impact of transition is presented in note 2 summary of significant accounting policies on page 121 of this Annual Report and Accounts, and is summarised below:

Implementation journey

Beginning in 2016, we performed a detailed analysis of the impact of IFRS 15 on our business. The preliminary analysis identified various areas in which adjustments may be required to revenue and cost recognition and in the related procedures and processes. As we moved through the project our conclusions on the implementation of IFRS 15 evolved, which we documented in our Annual and Interim Report and Accounts over the period from 31 December 2016 to 31 December 2017.

The most significant of these was expected to be that some of our Technology Sourcing revenue, which has previously been presented gross, will be presented net under IFRS 15 as 'agency' revenue due to the change in the primary indicators used to assess the 'agent/principal' presentation of revenue, from the previous standard to IFRS 15. We thought at the time, after assessing the changes in the standard against our general contractual terms and conditions, that this change was 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. Our preliminary assessment made in 2016 was based upon our general contractual terms and conditions. Following this process, we concluded that there was a finely balanced judgement which would result in a change in presentation of our Technology Sourcing Software revenues and, potentially, certain Resold Service revenues to 'agency' revenue on a net basis compared to the current presentation as gross 'principal' revenue.

As our IFRS 15 project continued through 2017, the judgements held under the previous standard were reviewed again. Following further evaluation, including detailed analysis of how terms and conditions are applied in practice, the weighting applied to the agent/principal indicators and evaluation of emerging practice, we updated our findings and concluded that, whilst this remains a finely balanced judgement, no change to the presentation of those revenue streams is required on transition to IFRS 15. Revenue for these items have continued to be presented gross from 1 January 2018, when this assessment will form part of the critical judgements for the Group.

Under IAS 11, certain costs, such as allocated overheads, were allowed to be taken into account when considering what constitutes 'unavoidable' costs of a contract, affecting whether the contract is considered to be onerous. From 1 January 2018 onwards, IAS 11 was no longer applicable and onerous contracts need to be considered under IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'. At the date of publication of our 2017 Interim Report, we believed that IAS 37 did not allow for the inclusion of overheads as 'unavoidable' costs when considering if a contract is onerous. We thus concluded that our approach would need to change from 1 January 2018. Subsequent to the publication of our 2017 Interim Report, we became aware of an agenda decision published by the IFRS Interpretations Committee outlining that the current wording of IAS 37 allows for two interpretations of what can constitute 'unavoidable' costs when determining whether a contract is onerous. One of the acceptable interpretations noted by the Committee is in line with our current practice, which is to consider costs such as overhead allocations as 'unavoidable'. The matter has been put on the agenda for future discussion at the IFRS Interpretations Committee, with a view to drafting clarifications to IAS 37. Until there is clarity on this matter, we have concluded that our current approach remains acceptable. As a result, we did not change our method for the assessment of onerous contracts upon transition to IFRS 15.

Impact of transition
Following the implementation project, where we reviewed all revenue streams as part of our IFRS 15 impact assessment, we identified the following principal areas which have been affected on adoption of IFRS 15.

Adjustments were required in relation to:

- Certain costs, such as win fees (a form of commission) and fulfilment cost (referred to by the Group as Entry Into Service), which are capitalised and spread over the life of the contract, as opposed to being expensed as incurred, as was the case under the previous policy. This resulted in an increase to retained earnings of £7.6 million as at 1 January 2018, with the corresponding entry to prepayments. The tax impact of this adjustment is a debit to equity of £1.4 million and a corresponding increase in deferred tax liabilities as at 1 January 2018. The net impact on retained earnings as at 1 January 2018 is £6.2 million.
- Certain elements of Managed Services contracts, for example those relating to Entry Into Service, are not treated as separate performance obligations under the new policy. Under the new policy, these services are treated as part of the ongoing performance obligations in the contract. This means the revenues and costs associated with Entry Into Service are recognised over the life of the contracts with customers, rather than being recognised as incurred as was the case historically. This resulted in an increase to retained earnings of £0.5 million as at 1 January 2018, with the corresponding entry to prepayments. The tax impact of this adjustment is a debit to equity of £0.1 million and a corresponding increase in deferred tax liabilities as at 1 January 2018. The net impact on retained earnings as at 1 January 2018 is £0.4 million.

The specific performance obligations and invoicing conditions in our Managed Services contracts are typically related to the number of calls, interventions or users that we manage and therefore these contracts typically generate variable revenues over time and have not been impacted by the implementation of IFRS 15.

As noted above, IFRS 15 has been adopted using the modified retrospective approach, therefore comparative amounts have not been restated. For comparability purposes, tables giving the impact of the adoption of the new standard on the Consolidated Balance Sheet and Consolidated Income Statement for the year ended 31 December 2018 show what the results would have been had they been prepared under the previous accounting policies. These tables are on pages 121 to 122.

Agent vs principal
Since the finalisation of the revised Group revenue recognition accounting policies and adoption of IFRS 15 on 1 January 2018, a new line of business has emerged within our Technology Sourcing business. Typically, vendors and customers approach us with an opportunity where the vendor is taking the contract and performance risks, sets the selling price and uses Computacenter as a pass-through agent in the channel, to transact the deal for a set fee. To date these have been primarily large software deals where there is no ongoing obligation of service on us following the transaction. We have no say in the pricing or selection of the product and are merely standing in the sales channel between the vendor and customer, for the pre-determined fee. Based on the facts and circumstances of each deal, we assess how the terms and conditions of the deal are applied in practice against our revenue recognition policies, by reviewing the weighting applied to the agent/principal indicators. As a result, we have classified several of these deals as agency, concluding that the fee received should be booked as net revenue. The total value of these deals during the year, on an agency basis, was £3.1 million.

Segmental reporting structure changes

During the first half of the year, Management reviewed the way it reported Segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), to determine whether it could improve the transparency and understandability of the trading performance of its core Group Operating Model geographies. As a result of this analysis, the Board has adopted a new Segmental reporting structure from the period ended 30 June 2018 and year ended 31 December 2018.

In accordance with IFRS 8 Operating Segments, the Group has identified four revised operating Segments:

- UK;
- Germany;
- France; and
- International.

As the location of the Group's headquarters, the UK entity has also borne an increasing share of corporate costs since the rollout of the Group Operating Model from 2013.

Certain expenses such as those for the Board itself and related public company costs, Group Executive members not aligned to a specific geographic trading entity and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not allocated to individual Segments because they are not directly attributable to any single Segment. Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the segmental note.

Under the previous Segmental reporting structure, the UK Segment included a number of other operating entities, primarily international Global Service Desk locations. Whilst these entities have limited external revenues, and a cost recovery model that suggests better than breakeven margins to ensure compliance with transfer pricing regulations, this generated unnecessary complexity when presenting the UK results to the Board and the CODM, with the growth in the number and scale of these other operating entities blurring the underlying performance of the core geography over time. The revised UK Segment now only comprises the trading performance of Computacenter UK. The German Segment has been revised to remove the independently run Computacenter Switzerland operation, including cITius, which has been transferred to the International Segment, leaving the German country trading operations standing alone.

The new International Segment replaces the Belgian Segment and includes the Belgium, Switzerland, FusionStorm, Computacenter USA and TeamUltra trading operations, along with the international Global Service Desk locations in South Africa, Spain, Hungary, Mexico, Malaysia, Poland, India and China. The International Segment has been created to reflect the Group's ambitions to continue to expand its worldwide footprint. This includes expanding trading operations into new geographic locations, both within our Western European heartland and beyond, and the need to continue to identify talent-rich offshore locations, to ensure that we can remain both cost and resource competitive in the Services marketplace.

The French Segment remains unchanged from that reported at 31 December 2017.

This new Segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group.

Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax.

The change in Segmental reporting has no impact on reported Group numbers.

Further information on this Segmental restatement can be found in note 4 to the Consolidated Financial Statements where, to enable comparisons with prior period performance, historical segment information for the year ended 31 December 2017 has been restated in accordance with the revised Segmental reporting structure. All discussion within this Annual Report and Accounts on Segmental results reflects this revised structure, the reclassification of Central Corporate Costs and the resultant prior period restatements.

Central corporate costs

As noted above within Segmental Reporting Structure Changes, certain expenses such as those for the Board itself, and related public company costs, Group Executive members not aligned to a specific geographic trading entity, and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not specifically allocated to individual Segments because they are not directly attributable to any single Segment.

Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the segmental note. These costs are borne within the Computacenter (UK) Limited legal entity and have been removed for segmental reporting and performance analysis but form part of the overall Group administrative expenses.

During the period, total Central Corporate Costs were £25.2 million, an increase of 32.6 per cent (2017: £19.0 million). Within this:

- Board expenses and related public company costs were £3.2 million (2017: £3.7 million);
- costs associated with Group Executive members not aligned to a specific geographic trading entity were £4.3 million (2017: £4.3 million);
- share-based payment charges associated with the Group Executive members identified above, including the Group Executive Directors, were £2.7 million (2017: £2.6 million); and
- strategic corporate initiatives increased from £8.4 million in 2017 to £15.0 million in 2018, primarily due to increased spend on projects designed to increase capability, enhance productivity or strengthen systems which underpin the Group.

Financial instruments

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

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

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, finance leases and loans for certain customer contracts. The Group's general bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. The Group's specific borrowing facility for the purchase of FusionStorm, and the undrawn committed facility of £60 million, are at floating rates, however the borrowing facility for the new operational headquarters in Germany is at a fixed rate.

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 cash and cash equivalents position was maintained throughout 2018, and at the year end was £200.4 million, with net funds[3] of £57.3 million after including the Group's two specific borrowing facilities and CSF. Due to strong cash generation over the past three years, the Group can currently finance its operational requirements from its cash balance, and it operates an informal cash pooling arrangement for the majority of Group entities. During 2015, we extended an existing specific committed facility of £40.0 million for a three-year term through to February 2018. In January 2018, we extended the facility to £60.0 million for a further three years. The Group has never had to draw on this committed facility.

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

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

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 and US dollars. 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 our US operations, most transactions are denominated in US dollars. 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 successful in winning international Services contracts, where Services are provided in multiple countries.

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

In 2018, the Group recognised a loss of £3.2 million (2017: gain of £0.2 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 pound sterling. The ongoing weakness in the value of sterling against most currencies during 2018, in particular the euro, continued to benefit our revenues and profitability as a result of the conversion of our foreign earnings. However, the exchange rates seen in 2018 are not materially dissimilar to those seen in 2017. The impact of restating 2018 at 2017 exchange rates would be an increase of approximately £18.8 million in 2017 revenue and no change in 2017 adjusted[1] profit before tax.

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

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

Results of the Tender Offer
On 23 January 2018, the Company published details of the timing and structure of a Return of Value by way of a shareholder circular (the 'Circular'). On 13 February 2018, the Company announced the results of the Tender Offer set out in the Circular, which closed on 9 February 2018.

A total of 8,546,861 ordinary shares were purchased at a price per ordinary share of 1,170 pence, for a total cost of £99,998,273.70. The Company holds the ordinary shares purchased pursuant to the Tender Offer in treasury. This represented approximately 6.97 per cent of the issued share capital of the Company as at 31 December 2017. Proceeds payable to the Company's shareholders for the certificated ordinary shares purchased under the Tender Offer were despatched by 19 February 2018 in the form of a cheque. CREST account holders had their CREST accounts credited on 14 February 2018.

Further details are available at the Company's website, investors.computacenter.com, and in the 2017 Annual Report and Accounts. Capitalised terms used in this section have the same meaning as ascribed to them in the Circular.

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

There remains, even at this late stage, considerable uncertainty around the exact nature and timing of the UK's exit from the EU, which makes it difficult to develop specific plans for the various potential outcomes. However, we established a Committee for Planning for the United Kingdom exiting the European Union (the 'Committee') in 2017, to consider the key risks and changes that may be required.

This Committee is led by the Group Finance Director and includes senior staff from the key areas that may be affected including:
- Finance, including Group Tax & Treasury and Group Commercial Finance;
- Group Human Resources, for employment and related matters;
- Group Legal & Contracting, including intellectual property, data protection and supplier contracting;
- Group Information Services, including IT systems, location of IT infrastructure and location of data; and
- Group Technology Sourcing, including Export/Import, Supply Chain Services, Commercial Operations, Vendor Relations and the potential impact of Waste Electrical and Electronic Equipment (WEEE).

The Committee meets regularly to review papers submitted by the subject matter experts and monitors an action list, to identify ways to minimise the impact of this change. The Committee monitors negotiation developments, actively considers the possible impacts of the United

Kingdom's departure from the EU on our business and plans for changes to our processes and procedures that may be required. The Committee, through its members, liaises with our customers and our IT product and service partners, and is supported in its work by specialist external advisors. The Committee has issued a series of briefing notes and FAQs to customer-facing employees, so they can respond to customer queries. The minutes of the meetings and the subject-matter papers are reviewed at the Group Risk Committee and updates have been provided to both the Audit Committee and the Board.

Initial position and preparation
We are committed to operating our business and serving our customers in a way that properly manages and mitigates the effects of the UK leaving the EU. We will continue to work with our customers and partners to deliver leading IT infrastructure products and services before, during and after the UK's departure from the EU, including any period of transition.

While Computacenter advocates barrier-free trade in products, services and data between the UK and the EU, there remains considerable uncertainty about what form the UK's departure from the EU will take and, therefore, the changes to trade arrangements that will occur. This makes it difficult to take specific action and communicate specific plans. Computacenter believes however, that it is well placed to deal effectively with any likely eventuality. The Company, led by the Committee, has taken a number of preparatory steps and assessed what we currently consider could be the main impacts on the Company of exiting the EU and our initial views on managing those impacts, so as to cause minimal disruption to our customers.

Due to the already global nature of Computacenter's business, its in-house logistics and service capabilities in the UK, Germany, France, Belgium and the Netherlands, and its placement in the IT infrastructure industry, the Committee does not currently consider that we will be materially impacted by the UK's departure from the EU. All the same, the Committee is paying particular attention to our IT product supply business, where products routinely cross between continental Europe and the UK, and our IT Services business, where data can flow across borders, especially within the EU.

Technology Sourcing
Computacenter does not manufacture products, and instead sources and resells products manufactured by leading information technology companies worldwide. We have over 30 years of IT product supply experience and routinely trade with manufacturers, distributors and customers located both inside and outside the EU.

Any trade barriers created as a result of the UK's departure from the EU have the potential to increase cross-border supply complexity and cause delivery delays. We have been in regular dialogue with our suppliers to understand their strategies to deal with these, and to put in place appropriate mitigation strategies to reduce the risk to us and our customers. Additionally, we have been closely examining the countries of origin and destination of the deliveries we make to customers from each Integration Center. The vast majority of current customer Technology Sourcing product supply is transacted on a country to country basis. There are some instances where our UK business ships to Germany and our German business ships to the UK. This is primarily due to local customer ordering requirements. We have established a process where EU27 requirements of our UK customers will be shipped from Germany and vice versa.

While the precise outcome of the UK's departure from the EU is not yet clear, we are confident the imposition of new trade barriers will not require Computacenter to develop fundamentally new Technology Sourcing systems and processes. We are confident that adapting existing systems and processes to cope with an additional non-EU trading country, along with our multinational Integration Centers and our experience of international trade, will mean that we are well positioned in this regard. In anticipation of a new customs regime following the UK's departure from the EU, and to mitigate the risk of delays from a potential EU hard border, we have applied for the Authorised Economic Operator (AEO) certification that should facilitate smoother customs clearance.

Data transfer regulation
By incorporating the EU Commission approved Standard Contractual Clauses, the Group has built data transfer adequacy into its intra-Group agreements, to which all of its relevant UK and EU legal entities are party. In this regard, the Company establishes appropriate safeguards for the purposes of General Data Protection Regulation Article 46, when transferring personal data to third countries not considered adequate by EU data protection standards. Computacenter has a strong desire for both the UK and EU Governments to agree an adequacy agreement on data protection, to ensure the continued smooth transfer of data post the UK's departure from the EU.

People
Whilst we do not employ a significant number of EU27 citizens in the UK or UK citizens in the EU, and all indications suggest that the UK Government and the EU have agreed that EU citizens living and working in the UK will be able to carry on doing so with undiminished rights after the UK's departure from the EU, there is still uncertainty. We will continue to closely support employees throughout the process of the UK's departure from the EU, including helping them to be fully aware of the applicable status/registration processes as they become known.

Opportunities
We are not alone in our sector in facing these challenges. A number of our European competitors have strong presences within the EU and sell from this base into the UK. Equally, a number of our global competitors have their European headquarters in the UK and address the EU market from there. Once the details of the UK's departure from EU are known, we will work with our major vendors to address any concerns they may have about end-customers currently serviced by other resellers with single country operations or those stranded on either side of the UK-EU border.

It is likely that there will be additional investment required in IT systems to manage the transition. Whilst this will be a cost to us, it will also be an opportunity, as our customers, in some cases, may need to increase investment in a similar manner.

Wider economic impact
There is significant uncertainty in relation to the UK's departure from the EU and the impact that this can have on business confidence and investment plans and therefore the marketplaces in which we operate. Whilst the UK's departure from the EU is frequently seen as only a risk or a negative event, it may also create new opportunities and we remain well positioned to support our customers whatever the outcome.

Going Concern
Computacenter's business activities, business model, its strategic goals and its performance are set out within this Strategic Report from the inside front cover to page 66. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are set out within this Group Finance Director's review on pages 60 to 65. In addition, notes 26 and 27 to the Consolidated Financial Statements include Computacenter's objectives, policies and

processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit and liquidity risk.

The Directors have, after due consideration, a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of 12 months from the date of approval of the Consolidated Financial Statements, as set out on pages 116 to 169 of this Annual Report and Accounts. Thus, they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

Viability Statement

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

Viability timeframe

The Directors have assessed the Group's viability over a period of three years from 31 December 2018. This period was selected as an appropriate timeframe for the following reasons:

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

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

With regard to the principal risks set out on pages 40 to 45, the Directors remain assured that the business model will be valid beyond the period of this Viability Statement. There will continue to be demand for both our Professional and Managed Services businesses, and it is up to Management to ensure that the Group remains able to meet that demand at an appropriate cost to our customers. The Group's value-added product reselling Technology Sourcing business only appears vulnerable to disintermediation at the low end of the product range, as the Group continues to provide a valuable service to customers and vendors alike, as described on pages 14 to 17.

Prospects of the Group assessment process and key assumptions

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

On a rolling annual basis, the Board considers a three-year business plan consisting of the detailed bottom-up financial target for the following year (2019) and forecast information for two further years (2020 and 2021), which is driven by top-down assumptions overlaid on the detailed target year. Key assumptions used in formulating the forecast information include organic revenue growth, margin improvement and cost control, continued strategic investments through the Consolidated Income Statement, and forecast Group effective tax rates, with no changes to dividend policy or capital structure beyond what is known at the time of the forecast.

The three-year plan was last considered and approved by the Board on 13 December 2018, with amendments and enhancements considered and approved by the Board on 4 February 2019.

Impact of risks and assessment of viability

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

The potential impact of the principal risks and uncertainties, as set out on pages 40 to 45, is then applied to the sensitised three-year business plan. This assessment includes only those risks and uncertainties that, individually or in plausible combination, would threaten the Group's business model, future performance, solvency or liquidity over the assessment period and which are considered to be severe, but reasonable scenarios. It also takes into account an assessment of how the risks are managed and the effectiveness of any mitigating actions. The combined effect of the potential occurrence of several of the most impactful risks and uncertainties is then compared to the cash position generated throughout the sensitised three-year plan, to assess whether the business will be able to continue in operation.

For the current period, the risk related to an immediate no-deal departure of the UK from the EU on 29 March 2019 has been added to the sensitivity analysis. The analysis now includes assumptions of limited short-term one-off costs required to adapt systems and processes to changes in cross-border selling and customs regimes, in order to avoid Technology Sourcing friction and to remediate any concerns over data storage and transfer. These cost assumptions have been aggregated into existing sensitivities, which already model a general prolonged market downturn scenario that represents the 'worst-case' impact from the UK leaving the EU under an immediate 'no-deal' basis on 29 March 2019.

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 2021.

Fair, balanced and understandable

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

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

This Strategic Report was approved by the Board on 11 March 2019 and signed on its behalf by:

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

GOVERNANCE REPORT

THIS SECTION DESCRIBES HOW WE RUN COMPUTACENTER.

OUR JOB, ON YOUR BEHALF, IS TO MAINTAIN EFFECTIVE GOVERNANCE PRACTICES WHICH ARE FUNDAMENTAL TO THE GROUP'S ABILITY TO DELIVER LONG-TERM SHAREHOLDER VALUE.

Governance Report

More online:
investors.computacenter.com

Chairman's governance overview

DEAR SHAREHOLDER

Greg Lock
Non-Executive Chairman

IT IS CRITICAL THAT THE BOARD HAS THE RIGHT COMPOSITION.

I am pleased to present Computacenter's Corporate Governance Report for the year ended 31 December 2018. The Board believes that effective governance practices are fundamental in underpinning the Group's ability to deliver long-term shareholder value. The Board therefore supports and is committed to the principles of corporate governance set out in the 2016 UK Corporate Governance Code (the 'Code'), which has applied for the year under review beginning 1 January 2018. The Code is published by the Financial Reporting Council and can be found at www.frc.org.uk.

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

As a Company listed on the main market of the London Stock Exchange, Computacenter is required to review its practices against the Code's provisions and report to its shareholders on its compliance with them. The Board confirms that the Company has complied with each provision of the Code throughout the year and anticipates being compliant with the 2018 UK Corporate Governance Code (the 'New Code'), which was published in July 2018 and is effective from 1 January 2019, as at 31 December 2019.

This is my final report to you as Chairman as, along with Regine Stachelhaus, I will not be standing for re-election at the Company's Annual General Meeting ('AGM') on 16 May 2019. I ask shareholders to note that following the expected appointment of Peter Ryan to the role of Chairman at the AGM and the subsequent appointment of two further Independent Non-Executive Directors that is expected to immediately follow the AGM, membership of the Board will remain compliant with provision 11 of the New Code throughout 2019, which requires at least half of the Board, excluding the Chairman, to be Independent Non-Executive Directors.

Board composition

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

The Board is conducting a thorough search for two Independent Non-Executive Directors and is unanimous in its view that all three of these factors will be enhanced by the subsequent appointments to the Board. Due to the timing of the search as compared to the date of the AGM, and the release of the Notice of AGM, the selected candidates will be confirmed as members of the Board following the AGM and announced shortly thereafter. It is anticipated that, in accordance with the Company's procedure, both of the new Directors will have a full induction which is tailored to their knowledge and previous experience. This will include meetings with the Chairmen of the Board and its Committees, the Group Chief Executive Officer (CEO) and Group Finance Director (FD). Given their intended appointments to the Remuneration Committee, both will be provided with a detailed briefing on executive remuneration by the Group's Human Resources Director. Further, with their intended appointments to the Audit Committee, both will receive presentations from a number of the Group's Financial Senior Management team. Both new Directors will also join the Nomination Committee.

The Board was unanimous in its support for Peter Ryan, firstly as a candidate in a thorough search process to replace me as Chairman, and then as the preferred candidate following a recommendation from the Special Nomination Committee led by the Senior Independent Director, Ros Rivaz. The appointment of Peter Ryan to the Board on 13 February 2018 brought a fresh perspective to the Board's discussions and has complemented the continuity of service and knowledge of the Company provided by the remaining members of the Board. His significant operational expertise in large enterprises and deep knowledge of the Company's sector and its challenges, complements the skills of our other Board members and will assist him as he transitions to the role of Chairman of the Board. Peter has had a successful 37-year international career in technology, encompassing all dimensions of the industry including software, services, systems integration, outsourcing and infrastructure. His deep and world-class experience within Computacenter's industry will allow him to lead the Board through the next stages of the Company's growth and assist Management in shaping the future strategy for the business.

Strategy

The Board is collectively responsible for leading the Group and promoting its success, within a framework of appropriate controls, which enable risk to be assessed and effectively managed. It is also responsible for implementing the business model set out on pages 18 to 19, for ensuring that the Group has the right strategy to drive shareholder value, and for providing appropriate support and challenge to the Group Executive Management team. The Board dedicates a day-long session each year to receiving strategy-related presentations and discussing and shaping the strategic direction of the Company with Management. In April of this year an additional, day long strategy session was held for the benefit of the Independent Non-Executive Directors. In addition to the regular discussions on the development of the Group's strategy, the Board now also receives an in-depth topical presentation from Management on a specific strategic initiative at every Board meeting.

Board effectiveness

An internal evaluation of the Board and its Committees took place during the year. Further details of the process and the findings can be found on page 73. After carefully considering its findings, I am satisfied that the Board continues to function effectively and that its current constitution and range of skills are appropriate for protecting the long-term interests of the Group and the Company's shareholders.

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

In accordance with both the Code and the New Code, all of the Directors will stand for election or re-election at the 2019 AGM, with the exception of Regine Stachelhaus and I, who will not be standing for re-election.

Succession planning

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

Governance framework

As allowed by the Company's Articles of Association, the Board delegates a number of its responsibilities to Committees, so it can carry out its functions effectively. A diagram of the Board governance structure is set out on this page. As part of its ongoing review of the Group's governance procedures and framework, the Board reviewed the terms of reference for each of these Committees. A number of the Group's policies were also reviewed and amended during the year. The detail and format of information provided to the Board by Management continues to develop. The Board has also reviewed and updated the Company's Articles of Association and these will be presented to shareholders at the 2019 AGM.

Board Committees

Board	Audit Committee
	Nomination Committee
	Remuneration Committee

Board visits

To help develop and update the Directors' knowledge of the Group's operations, the Board regularly visits our offices overseas. During the year, the Board held a meeting at the Group's French headquarters in Paris, where it received presentations from the French Managing Director and senior members of his team. This focused on the sustainability of the business's performance, given its recent turnaround, the prospects for continued growth within both the Services and Technology Sourcing business, and the local macroeconomic and competitive environments.

Diversity

The Board recognises the benefits that diverse skills, experience and points of view can bring to an organisation, and how it may assist the Board's decision making and hence its effectiveness. Whilst the Board monitors the possibility of legislation in this area, appointments to the Board will continue to be primarily based on merit. As at 31 December 2018, the Board had two female Non-Executive Directors, Regine Stachelhaus and Ros Rivaz, representing 22.2 per cent of the total Board membership. This is in line with the representation as at 31 December 2017.

Shareholder engagement

The Board remains committed to communicating with our shareholders and, where appropriate, submitting its views for consultation and feedback. Further detail regarding engagement with our shareholders can be found on page 101.

Greg Lock
Non-Executive Chairman
11 March 2019

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

IT IS TIME FOR ME TO HAND OVER TO PETER RYAN, WHO HAS BEEN ON OUR BOARD FOR A YEAR. I AM CONFIDENT IN HIS PERSONALITY, EXPERIENCE AND EXPERTISE.

Greg Lock
Non-Executive Chairman

Ros Rivaz
Senior Independent Non-Executive Director and Chair of the Remuneration Committee

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

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

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

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

Minnow (1954) is a Non-Executive Director and Chairman of the Audit Committee of Superdry plc. He was a Director and chaired the Audit Committee of Tui Travel plc from 2011 to 2014 and was a member of the Supervisory Board of Tui AG from December 2014 to February 2016. Minnow spent 35 years with Deloitte where he became a Partner in 1985. His 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.

Regine Stachelhaus
Independent Non-Executive Director

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

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

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

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

Greg (1947) 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. He is non-executive Chairman of UBM plc.

Mike Norris
Chief Executive Officer

Board member attendance: 8/8

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

Tony Conophy
Group Finance Director

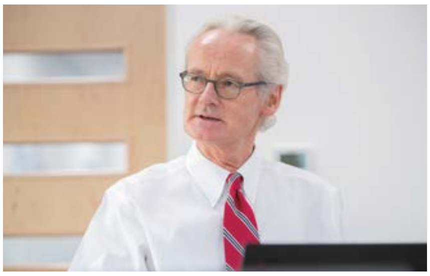
Board member attendance: 8/8

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

Peter Ryan
Independent Non-Executive Director

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

Peter (1961) has had a successful 37-year international career in technology encompassing all dimensions of the industry, including software, services, systems integration, outsourcing and infrastructure. Over the last 11 years, Peter has held roles such as Chief Sales Officer with Hewlett Packard Enterprise, Chief Client Officer at Logica plc and Executive Vice President, Global Sales and Services with Sun Microsystems Inc. After starting his career at the Home Office, Peter undertook various senior management roles with Aspect Development Inc, Parametric Technology Ltd, IBM (UK) Ltd and ICL plc.



Philip Hulme
Founder Non-Executive Director

Board member attendance: 5/8

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

Peter Ogden
Founder Non-Executive Director

Board member attendance: 7/8

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

* Note that Ros Rivaz gave her apologies for a Board meeting due to another commitment.
** Note that Peter Ryan was appointed on 13 February 2018, subsequent to the first Board Meeting of the year.
Note that Phil Yea attended both Board meetings that occurred before he stepped down from the Board on 24 April 2018.

Corporate Governance Report

LEADERSHIP

The role of the Board

The Board is responsible for the Group's management and performance, and for providing effective leadership to it. There is a schedule of Matters Reserved for the Board, which includes considering and approving, amongst other things, acquisitions, major capital expenditure, Group strategy and budgets, the Group's Consolidated Financial Statements and its dividend policy. This schedule is reviewed annually as a standing Board agenda item and it was updated during 2018. It can be found on our website at investors.computacenter.com.

Day-to-day management and operational activities are delegated to an authorised Group Executive Committee including, amongst others, the Executive Directors. Other Board-level matters are delegated to the Nomination, Audit and Remuneration Committees, details of which can be found on pages 74, 78 and 84 respectively. The Terms of Reference for each Committee can be obtained from our website, investors.computacenter.com, or from the Company Secretary, upon request. The composition of each Committee as at 31 December 2018 appears on pages 74, 78 and 90, as do reports from the Chairman of each Committee setting out the main responsibilities of their respective Committee and its main activities during the year.

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

The Composition of the Board

The membership of the Board as at 31 December 2018 is set out on pages 70 to 71. On that date, the Board included seven Non-Executive Directors and two Executive Directors. The Directors' attendance at Board and Committee meetings is set out on pages 70, 71, 74, 78 and 90.

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, Peter Ryan and Regine Stachelhaus are considered by the Board to be independent in their character and judgement. Phillip Hulme and Peter Ogden, the Founder Non-Executive Directors, are not considered to be independent having started the Company in 1981 and remained on the Board in both an Executive and Non-Executive capacity since that time.

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

Appointments to, and development of, the Board

The Nomination Committee leads the process for Board appointments. Further detail on the Committee's role, membership and work during the year is set out on page 74.

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

Whilst the Company's Articles of Association require a Director to be subject to election at the first AGM following his or her appointment and thereafter every third year, the Board has decided that, in accordance with the Code, all Directors should be subject to election or re-election at the Company's next AGM on 16 May 2019. All Directors will then be subject to election or re-election at each AGM thereafter. If the shareholders do not elect or re-elect a Director, or a Director is retired from office under the Articles, the appointment terminates immediately and without compensation.

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

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

Division of responsibilities

The roles of the Chairman and Chief Executive Officer (CEO) are separate and their responsibilities are clearly set out in writing, reviewed annually and agreed by the Board. They are available for inspection on the Company's website at investors.computacenter.com.

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

Senior Independent Director

Ros Rivaz is the Senior Independent Director. She acts as a sounding board for the Chairman and, where necessary, as an intermediary between the Chairman and other Directors. She is available to take representations from shareholders who do not want to raise their issue with the Chairman. Ros also leads the annual appraisal of the Chairman's performance, in consultation with the other Non-Executive Directors and without the Chairman being present. The feedback from this appraisal is discussed at a subsequent Board meeting. During the year, Ros led the process for searching for, and recommending the appointment to the Board of, a candidate to replace Greg Lock as Chairman of the Company.

The Board's key activities during the year

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

In 2018, the Board considered:

Regular items

- Terms of Reference for each of its Committees
- Annual and Interim Reports
- Dividend policy
- Reports from the Committee Chairmen on the Committees' key activities
- Matters Reserved for the Board & Delegated Class Transactions review
- Role of the Chairman, CEO and Senior Independent Director
- Gender pay gap reporting
- Diversity and inclusion
- The annual budget and three-year plan
- The Viability Statement
- Employee stakeholder engagement
- Cyber security
- Cash deposit strategy
- Group insurance coverage
- Market abuse regulations
- Management's strategic planning and execution
- The performance of the Group and Management
- Executive succession planning

Additional Items

- Asset reunification and share forfeiture process for untraced shareholders
- Extension of employee share savings schemes to the USA
- Revised Articles of Association
- Cancellation of Deferred Shares
- FusionStorm and Misco Solutions B.V. acquisitions
- Other acquisition and disposal opportunities
- IT project updates
- Corporate Governance changes
- General Data Protection Regulation
- Significant new Managed Services bids
- Significant in-life Managed Services contract reviews
- The Return of Value
- Planning for the United Kingdom exiting the European Union
- Chairmanship succession

Insurance and indemnities

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

EFFECTIVENESS

Time commitment

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

There has been no increase in the Chairman's significant external commitments during the year, which would affect the time he has to fulfil his role. In light of the internal Board evaluation completed for 2018, the Board is satisfied that each Director is able to allocate sufficient time to the Company to discharge his or her responsibilities effectively.

Provided the time commitment does not conflict with the Director's duties to the Company, the Board may authorise the Executive Directors to take Non-Executive positions in other companies and organisations, as this should broaden their experience. The Board would not agree to a full-time Executive Director taking on more than one Non-Executive Directorship of a FTSE 100 company or the Chairmanship of such a company. For the avoidance of doubt, no such positions have been taken by the Executive Directors. MJ Norris was a Director of the private company Triage Services Limited until his resignation, and cessation as a person with significant control, on 9 April 2018.

Information and support

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

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

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

Evaluation

The Board evaluates its effectiveness each year, as required by the Code. Between December 2018 and January 2019, the Company Secretary carried out an internal evaluation of the Board and each of its Committees. The review looked at key areas of responsibility including strategy, decision making, composition and dynamics, leadership, talent development and succession planning. The Board also reviewed the balance of skills and diversity.

The review took the form of a series of tailored online questionnaires, covering the Board and each Committee. The Chairmen of the Board and the Committees were able to review and shape both the questionnaires and the list of non-Board respondents, to make best use of the process. The questionnaire responses were collated and analysed before inclusion in a report to the Board. In February 2019, the Company Secretary presented this report to the Board and led a discussion of the key findings and the implications for the Board's development.

The evaluation found there to be open and constructive dialogue between Board members and a sound and challenging relationship between Non-Executive and Executive Directors. The Board is satisfied that there is a clearly articulated strategy and a good process for managing risk. Despite the encouragingly high, and improving, scores, the Directors concluded that enhancements could continue to be made in one key area. The Board addressed the need to continue to grow their understanding of the Company's business model and strategy so that they are better able to monitor and contribute to the strategic direction, and long-term thinking, of the Company. An action plan, that builds on measures taken as a result of the previous evaluation, has therefore been drawn up, against which progress will be monitored regularly. The Board is encouraged by the increased focus and emphasis in this area planned for 2019.

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

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

NOMINATION COMMITTEE REPORT

Greg Lock
Chairman of the Nomination Committee

THE BOARD FELT IT WAS IMPORTANT TO IDENTIFY A SUCCESSOR WHO COULD LEAD THE BOARD IN THE COMING YEARS, AND THAT THIS PERSON WOULD REQUIRE DEEP EXPERIENCE OF THE COMPANY'S SECTOR.

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

* Note that Peter Ryan was appointed on 13 February 2018, subsequent to the first Committee meeting of the year.
** Note that Phil Yea attended the Committee meeting that occurred before he stepped down from the Board on 24 April 2018.

Membership and attendance

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

The Company Secretary is the secretary to the Committee.

Responsibilities of the Nomination Committee

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

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

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

Main activities of the Committee in 2018

The Nomination Committee met on two occasions during 2018 and its work included the following:

Board appointment

Immediately following the 2017 AGM, the Board initiated a process to identify a new Chairman to succeed Greg Lock, who would have served 10 years by the time of the 2018 AGM. The Board ran a competitive process to select the search firm, noting the merits of several providers. Notwithstanding the quality of the process and an agreed specification, the Board asked Greg Lock to continue in office through 2018, which he agreed to do.

During 2018, further discussions around Chairmanship succession were held, noting that Greg Lock's tenure would be outside the parameters defined by the New Code that is effective from 1 January 2019. Mr Lock informed the Board that he would be minded to step down from the Board at the 2019 AGM, if the Company had found a suitable successor by then.

The Board felt it was important to identify a successor who could lead the Board in the coming years, and that this person would require deep experience of the Company's sector. It was considered equally important that the individual had extensive global operational experience.

Members expressed their support for Mr Ryan to be considered for the role. Mr Ryan was appointed to the Board in 2018 and was identified at the time as a potential candidate for the Chairmanship succession.

A Special Nomination Committee ('SNC') was tasked with the process of identifying the successor to Mr Lock, comprising a mix of Independent Non-Executive Directors and other Directors, led by the Senior Independent Director. The SNC engaged Russell Reynolds to conduct a benchmarking exercise using pools of known potential Chairmanship candidates, to assess if there were any other candidates meriting consideration, and to validate Mr Ryan's candidacy. A detailed role specification was developed with input from all members of the Board excluding Mr Ryan. Russell Reynolds is a global leader in assessment, recruitment and succession planning for boards of directors and had no connection with the Company other than providing this type of service.

This desktop search highlighted a number of potential Chairmanship candidates, but none was considered more qualified and suitable for the position than Mr Ryan, and therefore the SNC did not recommend progressing these potential candidates beyond the benchmarking stage. The SNC recommended to the Board that Mr Ryan be considered as successor for the Chairmanship, to which the Board unanimously agreed. The Board considered and agreed that Mr Ryan would remain independent on appointment as Chairman, as required under provision nine, and defined under provision 10, of the New Code. Mr Ryan will take over the Chairmanship from Mr Lock at the conclusion of the 2019 AGM.

Ms Regine Stachelhaus notified the Board of her intention to retire from the Board at the 2019 AGM, after having completed six years of service. The Nomination Committee appointed Russell Reynolds to search for two Independent Non-Executive Directors to fill the vacancies created by Ms Stachelhaus and Mr Lock. Russell Reynolds was appointed as it was leading the parallel Chairmanship succession review.

Russell Reynolds, in conjunction with the Nomination Committee, developed a candidate specification that highlighted a number of areas of competence as necessary pre-requisites to join the Board. The most important of these included a strong commercial track record within our sector including international experience, preferably within our core continental European or American markets. It was further required that the candidate must demonstrate the appropriate communication skills and desired personal characteristics to ensure a suitable culture fit for our Company.

As a result of the process and wider candidate search, conducted by Russell Reynolds, a shortlist of candidates has been identified with individuals suitable for appointment as Independent Non-Executive Directors. The Board intends to confirm appointments to the Board shortly following the 2019 AGM.

Prior to formally recommending their appointments to the Board, the Committee will consider and agree that both candidates will be independent in character and judgement, as defined under provision ten of the New Code. Both candidates will be appointed as members of the Company's Remuneration, Nomination and Audit Committees.

Performance of the Committee

During the year, an internal evaluation of the Committee was undertaken. The results of this evaluation have been analysed and, in response to some of the observations made, we will look to enhance our understanding of succession planning through the wider management structure beneath the Group Executive Management team and continue to ensure that diversity and inclusion remain at the forefront when considering these plans.

Succession planning

The Committee focuses on effective succession planning to ensure the future prosperity of the Company and this is one of the Company's principal risks, as disclosed on pages 40 to 45 of this Annual Report and Accounts. Developing future leaders and successor candidates is central to our strategy of creating and maintaining a culture that builds customer relationships. The Committee, whilst recognising that internal talent development is primarily the responsibility of Management, has reviewed Management's pipeline of executive talent, both for emergency use and its long-term potential.

Election and re-election of Directors

The Committee reviewed in detail the performance of the Directors who are standing for election or re-election at the Company's 2019 AGM. The results of the Company's most recent Board evaluation process were considered, alongside the contribution made by each individual, with the exercise being particularly rigorous in respect of Non-Executive Directors who have been in their role for six years or longer.

Following this review, with the exception of Greg Lock and Regine Stachelhaus, who will not be standing for re-election, the Committee recommended that each Director on the Board as at 31 December 2018 be put forward for re-election by the Company's shareholders at the 2019 AGM.

Diversity

The Committee, and the Board as a whole, continues to recognise the benefits that diverse skills, experience and points of view can bring to an organisation, and how diversity may assist the decision-making ability of the Board, thereby increasing its effectiveness. However, appointments to the Board will remain primarily based on merit, and it has not therefore set any measurable targets in this area. As at 31 December 2018, 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
11 March 2019

ACCOUNTABILITY

Financial and business reporting

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

- page 66 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 65 for the statement on the status of the Company and the Group as a going concern;
- the Strategic Report from the inside front cover to page 66 for an explanation of the Group's business model and the strategy for delivering the Group's objectives; and
- the Risk Management section below 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.

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 40 to 45 for further information on the Group's principal risks and uncertainties, including how they are being managed and mitigated.

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

The Board sets the Group's risk appetite and, through the Audit Committee, reviews the operation and effectiveness of the Group's risk management activities. The Board periodically reviews the Group's strategic risks and its key mitigation plans and, through the Audit Committee, receives regular reports from the Group Risk Committee. The Board receives updates from the Group Planning for the United Kingdom Exiting the European Union Committee, on the Company's response to the risk of a disorderly withdrawal of the United Kingdom from the European Union.

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

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

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

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

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

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

The Board reviews the operational effectiveness of the risk management model by directing the reinforcement of the processes that underpin it and by making sure it is embedded across all levels of the organisation. For example:

- The Schedule of Matters Reserved for the Board ensures that the Directors properly address all significant factors affecting Group strategy, structure, financing and contracts.
- The Board and Executive Committee consider the principal risks, which are the barriers to achieving the Board's strategic objectives.
- The Group Risk Committee, consisting of the Executive Directors, members of the Group Executive Committee and senior managers from across the Group, challenges the effectiveness of the mitigations of the principal risks.
- The Group Risk Committee considers each principal risk in-depth at least once a year, by receiving reports from the risk owner.
- The Group Risk Committee's deliberations, along with the current status of each principal risk, are reported to the Audit Committee and the Board.
- The principal risk list is reviewed once a year and leverages a bottom-up annual operational risk review, where operational management identify their everyday risks.
- The Group Compliance Steering Committee, which was added to the governance model during 2016, assesses observance with laws and regulations, and reports to the Group Risk Committee.
- The bid governance process reviews bids or major changes to existing contracts, which aligns with the Group's risk appetite and risk management process.
- The Group Planning for the United Kingdom Exiting the European Union Committee, which was established in 2017, assesses the latest information on the nature of the UK's withdrawal from the EU, assesses known risks from a disorderly withdrawal from the EU and identifies mitigating activities that the Group can undertake to reduce any short-term disruption to the Group's activities.

There were several enhancements to the risk framework and processes over the last year, including:

- Improvements in the governance of contract bids and in-life contract management that were formulated during 2017 were implemented during 2018.

- High-level and emerging risks continue to be standing agenda items for the Group Risk Committee. This includes cyber risk, the risk surrounding the UK's departure from the EU and compliance with the General Data Protection Regulation, which the Group recognised as a new risk in 2017.
- Geopolitical risk, arising from the Company's increasingly global operations, was elevated to a principal risk during 2018.
- The Quality Management Assurance ('QMA') function has changed reporting lines within the organisation from November 2018, to enhance its independence and objectivity. QMA will now form a core part of the third line of defence for 2019 and beyond.

Internal control

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

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

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

Responsibilities and authority structure

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

The Group Executive Committee meets formally on a quarterly basis and, more informally, on a fortnightly basis, to discuss day-to-day operational matters. With the Group Operating Model in 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 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 linking staff incentives to customer satisfaction and profitability.

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

Planning and reporting processes

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

Management and specialists within the Finance Department are responsible for ensuring that the Group maintains appropriate financial records and processes, which ensure that financial information is relevant, reliable, in accordance with applicable laws and regulations, and distributed internally and externally in a timely manner. Management reviews the Consolidated Financial Statements, to ensure that the Group's financial position and results are appropriately reflected. The Audit Committee reviews all financial information published by the Group.

Centralised treasury function

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

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

Quality and integrity of staff

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

Compliance policies

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

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

Audit Committee and the auditor

For further information on the Company's compliance with the Code provisions relating to the Audit Committee, Group auditor and Internal Audit, please refer to the Audit Committee report on pages 78 to 83.

AUDIT COMMITTEE REPORT

Minnow Powell
Chairman of the Audit Committee

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

* Note that Ros Rivaz gave her apologies for one Committee meeting due to another commitment.
** Note that Peter Ryan was appointed on 13 February 2018, prior to the first Committee meeting of the year.
*** Note that Philip Yea attended the Committee meeting that occurred before he stepped down from the Board on 24 April 2018.

Composition of the Committee

As at 31 December 2018, the Audit Committee comprised the four Independent Non-Executive Directors. All members are considered to be appropriately qualified and experienced to fulfil their role and allow the Committee to perform its duties effectively. For the purposes of Code provision C.3.1, one member of the Committee, Minnow Powell, is considered to have recent and relevant financial experience. The Committee notes the requirements of the 2016 Code and confirms that, after having considered the requirements against feedback provided through the Board and Committee effectiveness review, the Committee as a whole has competence relevant to the sector in which the Company operates. Further details of specific relevant experience can be found in the Directors' biographies on pages 70 and 71.

Meetings of the Committee

The Committee met four times during 2018. Meetings are attended routinely by the Chairman of the Board, Group Finance Director, Group Head of Financial Reporting, Group Head of Internal Audit & Risk Management and the external auditor. The meetings cover a standing list of agenda items, which is based on the Committee's Terms of Reference, and consider additional matters when I deem it necessary, as Chairman of the Committee. Meetings are also attended by the Group Company Secretary, who acts as Secretary to the Committee.

In addition to the Committee meetings, I also met privately on occasion with individual members of Management during the year, to discuss the risks and challenges faced by the business as well as accounting and reporting matters 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. From time to time, I also attend meetings of the Group Risk 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.

Principal responsibilities of the Committee

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

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

- monitor the integrity of the Company's Financial Statements and any formal announcements related to the Company's financial performance, and to review any significant financial reporting judgements contained therein;
- review the effectiveness of internal controls and of the risk management framework;
- review the effectiveness of the Company's Internal Audit;
- review arrangements by which employees may, in confidence, raise concerns about possible improprieties relating to financial or other matters, and ensure that arrangements are in place for the proportionate and independent investigation of such matters;
- review, on an ongoing basis, the Company's relationship with its external auditor, including monitoring its independence and objectivity and the effectiveness of the audit process, ensuring that an appropriate policy is in place concerning any engagement of the auditor for the provision of non-audit services to the Company, and making recommendations to the Board in respect of the appointment, reappointment and removal of the auditor and the remuneration paid to them by the Company; and

THE COMMITTEE AS A WHOLE HAS COMPETENCE RELEVANT TO THE SECTOR IN WHICH THE COMPANY OPERATES.

- advise the Board, to enable it to report on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Activities of the Committee

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

Key judgements and current financial reporting standards

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

IFRS 15 Revenue Recognition

During the year, the Committee continued to monitor the implementation of IFRS 15, with emphasis on the progress towards finalisation of the disclosures for the Interim Report and Annual Report and Accounts. The Company has elected to implement the standard using the simplified approach to adoption and has not restated its comparatives for the 2017 reporting period. Taking account of the informal review of the Interim Report by the Financial Reporting Review Panel, the Company increased the disclosure within the Annual Report and Accounts to highlight that the comparative results have not been restated and are prepared under a different GAAP.

Outside of the Audit Committee meetings, I met Management, and the Group's external auditor, KPMG LLP, to review the revenue recognition treatment on two Technology Sourcing software contracts of a new type, where the revenue was recognised on an agency basis, rather than principal, based on the terms and conditions of these two contracts in accordance with the new standard.

Professional Services and Managed Services contract accounting

The Committee continued to focus on Services contract accounting during the year, as reported under IFRS 15. It received a standing item update at each meeting from Management on a number of material contracts across the Group's major geographies. These contracts were selected due to performance being lower than anticipated at the bid stage of the contract, or where there were complex revenue recognition elements.

The Committee remains satisfied with the revenue recognition accounting judgements but will continue to monitor the performance of several difficult contracts, in part to ensure that appropriate responses are formulated to address material lessons from the execution of these contracts. As judgements were adjusted throughout the year the Committee, in addition to reviewing the assumptions at a point in time, reviewed when information underpinning the judgements changed and the reasons for the change.

Technology Sourcing revenue recognition and cut-off procedures

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

The Committee noted that no significant errors were found as a result of the auditor's work in this area.

IFRS 9 Financial Instruments

The Committee considered updates from Management on IFRS 9. Whilst the impact of the standard was not considered to be comparable to that of IFRS 15 and IFRS 16, the Committee noted several areas of additional disclosure which have been made in this Annual Report and Accounts.

Acquisition accounting

During 2018, the Group acquired FusionStorm in the United States of America and Misco Solutions B.V. ('Misco') in the Netherlands. The Committee reviewed the acquisition accounting judgements and the differences between the provisional fair values and the book values at acquisition.

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

For the FusionStorm acquisition, the Committee enquired into whether contingent consideration was actually consideration or remuneration and concluded it was consideration, on the basis that individuals who were selling shareholders due the contingent consideration were not required to remain in employment post-acquisition.

The initial accounting for the Misco and FusionStorm acquisitions has only been provisionally determined at the end of the reporting period and the Committee will further review final positions close to the anniversary of the respective acquisition dates.

During 2017, the Group acquired TeamUltra Ltd in the UK. The initial accounting for the TeamUltra acquisition was only provisionally determined at the end of the 2017 reporting period and the Committee further reviewed the final position close to the anniversary of the acquisition date. The accounting of the TeamUltra acquisition is now complete and there were no changes to the fair values and the book values at acquisition.

The Committee reviewed the audit plan for the acquired entities for the part-year ended 31 December 2018 with the Group's auditor, KPMG LLP, to ensure that adequate procedures were in place to ensure the audit coverage was appropriate.

Valuation of acquired intangible assets

An independent accounting firm produced a report on the valuation of intangible assets within FusionStorm. The Committee considered the report and its associated review by Management. The Committee considered the intangible assets identified and those potential assets disregarded for valuation. The Committee also reviewed the valuation methodologies used for the purchase price allocation and the valuation outcomes that appropriately valued the customer relationships and order backlog, leaving an indicative residual goodwill of less than 50 per cent of the enterprise value. The Committee noted the principal reason for the acquisition was to acquire a Technology Sourcing business giving the Group a firm base or footprint from which to grow in the USA, rather than building such a business from scratch and generating the vendor accreditations, customers and sales team required. The Committee regarded the intangible assets valuation for customer relationships acquired as consistent with the initial information provided to the Committee pre-acquisition, which emphasised the number of significant long-term customers within FusionStorm as one of the value drivers of the potential acquisition.

The Committee considered that the lack of identified intangible assets acquired within Misco was appropriate. This is consistent with the basis on which the Company decided to make this investment, which was to broaden the Group's geographic presence within Western Europe. The Committee noted the difficult recent history of the business and concluded that Management's review was appropriate.

Segmental information restatement
As the Group has grown in both operational and geographical complexity, Management has continued to monitor the relevance of the IFRS 8 Segments that the Group reports under. During the first half of the year, Management reviewed the way it reported segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), to determine whether it could improve the transparency and understanding of the trading performance of its core Group Operating Model geographies. As a result of this analysis, and as endorsed by the Committee, the Board decided to adopt a new Segmental reporting structure. The Committee reviewed the methodology in accordance with IFRS 8 Operating Segments, noting that the rationale for the new Segments, and the allocation of 'Central Corporate Costs' out of the new UK Segment, appeared appropriate. The Committee was satisfied that the new Segmental reporting structure was the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group. The Committee noted subsequently that the feedback from investors suggested that the revised Segmental presentation of the Group's results was helpful in providing greater clarity on the operational performance of the core UK, German and French geographies.

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 adjusted[1] profit before tax in the Group's 2018 Annual Report and Accounts.

The Committee reviewed Management's schedule of £5.2 million of costs directly related to the acquisition which have been classified as exceptional. The Committee noted that these costs included a severance payment for the FusionStorm Chief Executive Officer, agreed as part of the acquisition, advisor fees and a finder's fee that was paid on completion of the transaction.

The Committee found that these costs were non-operational in nature, material in size and unlikely to recur and therefore agree that these costs should be classified as outside our adjusted[1] results. The Committee noted that a further £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs. Whilst this item is, individually, not material, it forms part of the collective overall cost of the acquisition and the Committee agreed that, due to the material size of the acquisition and the impact on the underlying net finance expense, this should also be treated as an exceptional item.

The Committee noted that Management continued to exclude the amortisation of acquired intangible assets, and the tax effect thereon, in calculating our adjusted[1] results and that this charge had materially increased with the acquisition of FusionStom. The Committee agreed with Management's view that amortisation of intangible assets is non-cash, and is significantly affected by the timing and size of our acquisitions, which distorts the understanding of our Group and Segmental operating results.

The Committee noted that a tax credit of £3.1 million was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in a material in-year tax benefit. This activity included settlement of phantom stock awards, deal bonus and change of control payments which were settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. The Committee noted that this tax benefit is larger than the adjusted[1] profit before tax of £2.9 million achieved by FusionStorm since the acquisition. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, the Committee has agreed with Management's classification of this as an exceptional tax item.

The Committee was satisfied that the costs associated with the acquisition of FusionStorm, the interest from unwinding of the discount on the deferred consideration and the tax effect of both items, and the exceptional tax credit taken should be classified as exceptional due to the collective materiality and nature of the item.

The Committee also considered the presentation of adjusted[1] profit in the first half of the Annual Report and Accounts, after taking account of the European Securities and Markets Authority Guidelines on Alternative Performance Measures, which promote the usefulness and transparency of such measures. The Committee remains satisfied with the detailed reconciliation between statutory and adjusted[1] 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 adjusted[1] profit gave clarity on performance and had sufficient equal prominence with statutory profit.

Parent Company investment in subsidiaries carrying value
Investments in subsidiaries are the primary asset on the Parent Company Balance Sheet. The Committee considers the carrying value of these investments annually, or when an indicator of impairment is identified, as any impairment of these investments would reduce the Company's distributable reserves.

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

Pension disclosures
The Group has an obligation to make a one-off payment to French employees upon retirement, as 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. Management continues to account for this obligation according to IAS 19 (revised). Due to the increasing size of the obligation, which is now material, the Committee agreed with Management's judgement to provide full IAS 19 disclosures.

Future financial reporting standards and judgements
During the year, the Committee monitored Management's plans and progress in relation to IFRS 16 as set out below. In reviewing the implications of the new standard, the Committee also took account of the views of the external auditor, KPMG LLP.

New lease accounting standard (IFRS 16) effective 1 January 2019
The Committee has maintained oversight of Management's implementation programmes through specific IFRS 16 presentations. The Committee continues to be reassured by the progress that Management has made and requested a further overview of the financial impact on the 2019 results compared to current GAAP, to ensure that this is communicated appropriately.

Going concern basis for the Consolidated Financial Statements
The Committee provides input to the Board's assessment of whether it is appropriate for the Group to adopt the going concern basis in preparing Consolidated Financial Statements, at both the half year and full year. In order to do so, the Committee considered detailed reviews, based on the Group's financial plans, in relation to the Group's liquidity and solvency, taking into consideration its cash position and committed bank facilities. It considered the Group's financing requirements in the context of available committed facilities, including one of £60 million which was not drawn during the year, 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 2018 Consolidated Financial Statements. Following its considerations, the Committee was satisfied that the going concern basis of preparation continues to be appropriate. The statement and explanation from the Directors can be found within the Strategic Report on page 65.

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

Following its review of Management's proposals, the Committee continues to recommend to the Board that it set the period of assessment for the Viability Statement at three years, given the nature of the Group's business model and its strategic time horizon. The Committee and Board also reviewed Management's financial forecasts for the three-year period, and challenged the process undertaken and assumptions made by the Group's Risk Committee, in assessing how those forecasts would be affected by a realistic concurrence of the Group's principal risks. The Committee also considered additional contingencies made within the forecast due to the risk of the UK exiting the European Union without a Withdrawal Agreement. As a result, the Committee recommended to the Directors that they could make the statement required for the assessment period without qualification. The statement and explanation from the Directors can be found within the Strategic Report on page 66.

Other significant activity
The Committee received an update at each meeting on the Group's readiness for adoption of the GDPR. The Committee challenged the project implementation team, led by the Group Head of Legal & Contracting, to ensure that the Group was on track for compliance ahead of the 25 May 2018 adoption and that appropriate data protection activities have continued to become embedded across the Group following the enforcement date. The Committee has requested that Group Internal Audit perform a post implementation audit during 2019.

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

A review of the Company's distributable reserves was carried out prior to the declaration of both the interim and final dividends in respect of the reporting period.

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

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

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

Refer to page 73 for further detail on the evaluation carried out.

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

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

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.

The Committee has received presentations from Management on the strengthening of the internal controls around in-life contract performance and assumptions.

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

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

The CSC is responsible for defining relevant areas of law or regulation applicable to the Group, assigning these to members of Management and identifying levels of compliance and associated risk, with the aim of ensuring that these are appropriate for the Group. Critical areas within the CSC's remit include anti-bribery and corruption, whistleblowing and data protection.

During 2016, the CSC implemented a Group-wide whistleblowing hotline, provided by a third party, to provide a secure and anonymous means for employees to make disclosures they would otherwise feel unable to. The CSC continues to monitor compliance with the Group Ethics policy, which has completed its rollout across the Group. The CSC is developing a compliance framework for the Group in order to provide appropriate and consistent governance across a number of business critical compliance areas. This framework will encompass and draw upon the lessons and experience of the GDPR project. As part of this, and influenced by an Internal Audit report, the Committee has directed the CSC to refresh the existing Anti-Bribery and Corruption policies and processes within the new framework, as well as reviewing the efficacy of our whistleblowing procedures. In addition, the Committee noted the CSC's plans to bring FusionStorm and Computacenter Netherlands into the Group's compliance network, including the provisioning of the Group's whistleblowing hotline.

Whistleblowing

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

The effectiveness of the Internal Audit function

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

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

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

The Committee has continued to work with the Group Head of Internal Audit & Risk Management on refining the audit universe, challenging and approving the Internal Audit plan and mapping that plan to the Group's principal risks and related mitigating controls, as set out on pages 40 to 45. 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 both reviewing and providing assurance to the Committee regarding the effectiveness of controls over bid management and contract reporting and the control environment of FusionStorm.

We will carry out an external independent review of the effectiveness of the Internal Audit function in 2019.

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

External audit

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

Reappointment of the auditor

Following the results of a review of the effectiveness of the external auditor, and further discussions amongst the Committee, the Committee has recommended to the Board that it propose the reappointment of KPMG LLP as the Group's auditor, for approval by the Company's shareholders at its 2019 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. He has been in place since the firm's appointment in 2015 and will step down after the 2019 year end.

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

Effectiveness of the external audit process

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

The Committee reviewed the effectiveness and quality of the external audit process by:
- reviewing the audit plan and monitoring changes in response to new issues or changing circumstances;
- receiving reports on the results of the audit work performed;
- considering the FRC's report on KPMG LLP. The Committee reviewed the report which stated that KPMG LLP were on 'special watch'. The Committee read the report and discussed it at its meeting on 21 August 2018; and
- considering the report of the FRC's Audit Quality Review Team ('AQRT') into the 2017 audit of the Group by KPMG LLP. We were pleased to note that the report contained only two findings, neither of which the Committee deemed to be material. The Committee noted that the AQRT was

	2018 £'000	2017 £'000
Auditor's remuneration:		
– Audit of the Financial Statements	**50**	44
– Audit of subsidiaries	**722**	559
Total audit fees	**772**	603
Audit related assurance services	**50**	55
Taxation compliance services	**9**	19
Other assurance services	**17**	10
Taxation advisory services	**–**	13
Other non-audit services	**132**	200
Total non-audit services	**208**	297
Total fees	**980**	900

pleased to see certain elements of best practice, including the provision of a joint audit planning day between senior members of the global audit team and Management, and which I attend from time to time.

The Committee further reviewed the effectiveness of the external audit process by means of a questionnaire, which was completed by key stakeholders and relevant Group Management. The matters covered by the questionnaire included the quality of the service and the KPMG LLP employees that are delivering it, including their understanding of the business and its audit risks, their degree of scepticism and challenge, and their competency. The results were discussed as a specific agenda item at the Committee meeting immediately following the completion of the questionnaire process, and actions requested by the Committee to enhance effectiveness were followed up and continue to be monitored as appropriate.

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

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

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

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

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

The Committee monitors compliance with this policy by monitoring the level of non-audit work provided by the external auditor, resulting in non-audit fees being 26.9 per cent of the KPMG LLP overall audit fee during 2018 (2017: 49.3 per cent), as set out below. The Group auditor will, in no circumstances, undertake non-audit services for the Group to the extent that the total fee payable by the Group to its auditor exceeds 70 per cent of the average annual statutory fee payable by the Group over the last three consecutive years.

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

During 2017, after a competitive tender, KPMG LLP was appointed to conduct financial due diligence in connection with the FusionStorm acquisition. The Committee reviewed the tender documentation, Management's recommendations and KPMG LLP's review of the impact on its own independence against the Group's non-audit services policy. The engagement did not constitute a prohibited non-audit service and the Committee concluded that KPMG LLP had provided the best tender, both in terms of quality and value, and were satisfied that the independence of KPMG LLP, as Group auditor, was not affected. The acquisition was suspended in January 2018 and, when discussions restarted in mid-2018, KPMG LLP was retained in the same capacity to update its previous due diligence findings.

Minnow Powell
Chairman of the Audit Committee
11 March 2019

REMUNERATION

Ros Rivaz
Chair of the Remuneration Committee

The Directors' Remuneration Report on pages 84 to 100 explains the work of the Remuneration Committee, and the level and components of remuneration for the Directors.

THE COMMITTEE CONSIDERS THAT REMUNERATION IS ALIGNED PROPERLY TO SHAREHOLDER INTERESTS.

ANNUAL STATEMENT FROM THE CHAIR 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 2018.

The report is split into three sections:

- This Annual Statement.
- The Directors' Remuneration Policy, which was subject to a binding vote by shareholders at the Company's General Meeting held on 12 February 2018, and is summarised on pages 86 to 89 so that shareholders can refer to this easily when reviewing the Annual Report on Remuneration.
- The Annual Report on Remuneration on pages 90 to 100 which includes information concerning the amount paid to the Executive and Non-Executive Directors in respect of 2018 and details of how the Policy will be implemented in 2019, which will be subject to an advisory vote by shareholders at the Company's 2019 AGM.

The Committee remains committed to retaining a remuneration framework which is simple, transparent and can be understood by all the Group's stakeholders. It is our philosophy that remuneration for the Group Chief Executive Officer (CEO) and Group Finance Director (FD) should be weighted towards variable pay, principally based on the achievement of financial targets, to promote the Company's long-term success within a suitable risk framework.

Shareholdings by Executive Directors is considered to be a key principle to support shareholder alignment. The CEO and FD both have a significant interest in Computacenter shares with holdings equivalent to approximately 11 and 27 times that required under our minimum shareholding policy. This ensures that there is a material alignment of interests between the Executive Directors and shareholders.

The Committee continues to monitor closely the link between the amount paid to the Executive Directors, their performance and the value delivered to shareholders and how this relates to the broader workforce. Performance-related pay is genuinely variable and takes into account how the Group has performed against the stretching targets set by the Committee. This variability of award outcomes is set out on page 98 (CEO pay history). The Committee has also historically demonstrated restraint in respect of CEO and FD salary increases, with salaries having been frozen in seven of the last 10 years for the CEO and six for the FD. Consistent with the provisions of the New Code, the pension benefits received by Executive Directors are in line with those provided to the broader workforce.

Taking all of this into account, the Committee considers that remuneration is aligned properly to shareholder interests and actual remuneration earned by the Executive Directors continues to be a fair reflection of their individual contribution and the Group's overall performance.

The year under review

During the reporting period, the Group has performed well overall. Group adjusted[1] profit before tax has increased by 11.3 per cent over 2018. We have seen strong growth in Germany and outperformance in France in particular, measured on a constant currency[2] basis. The UK Services margins continue to be constrained by several difficult contracts and UK Services growth is not as strong as we would have liked, but this is balanced by a good performance in our Technology Sourcing capability. We have made two important acquisitions during the year and have returned a further £100 million to shareholders by way of a Tender Offer whilst maintaining strong generation of cash.

Remuneration outcomes

The Committee reviewed performance against the conditions set for the bonus in 2018. As in previous years these performance conditions included profit, Services contribution growth, Group cash, cost savings and personal objectives. Financial performance is measured on a constant currency[2] basis. Performance against the profit and cash measures exceeded the maximum target set by the Committee, resulting in a full payout for these elements. The cost savings, Services contribution growth and personal objectives measures partially paid out.

As a result of this performance, the CEO received 82.63 per cent and the FD received 87.63 per cent of their total potential bonus for the year. Fifty per cent of the bonus will be deferred into Computacenter plc ordinary shares, with half payable after one year in 2020 and the remainder payable after two years in 2021.

Of the Computacenter Performance Share Plan (PSP) awards granted in March 2016, 65.68 per cent will vest in March 2019, and will be paid out to the Executive Directors. The conditions for the vesting of these awards are calculated by reference to the growth in the Company's adjusted[1] diluted earnings per share (subject to the discretion of the Committee) and growth in Group Services revenue for the three financial years ended 31 December 2018. The payout reflects the significant value creation enjoyed by shareholders during this period and no discretion was exercised to adjust the amount. Further details can be found on pages 93 to 95.

The year ahead

The Committee continues to believe that the remuneration policy approved by shareholders delivers an appropriate framework to motivate and reward our Executive Directors.

The Committee has decided that the basic salary of the CEO and FD will be increased by 2.0 per cent for 2019, consistent with the average increase for the wider UK workforce.

In accordance with the policy approved by shareholders, the PSP awards to be granted to the Executive Directors in 2019 will be subject to a two-year holding period. Further details on how our Directors' Remuneration Policy will be applied for the 2019 financial year are set out on page 99.

Supported by external advisors, the Committee continues to monitor the various developments in remuneration governance. In particular, the Committee has begun work on changes required by the New Code. We are already well placed in a number of areas, for example, the Committee's remit already covers the senior management team and the pension rates for Executive Directors are already in line with those available to the wider workforce.

During the year, an internal evaluation of the Committee was undertaken. The results of this evaluation have been analysed and, in response to some of the observations made, we will look to enhance the 'smartness' of our objectives and continue to focus on how we set and review performance targets in the year.

I hope that, having read this report, shareholders will be satisfied that the Committee has discharged its duties appropriately and in line with your interests. I and the Committee would welcome any comments that you may have on the contents of this report.

Ros Rivaz
Chair of the Remuneration Committee
11 March 2019

Computacenter's Remuneration Policy table

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

Policy table

Base salary	
Purpose and link to strategy	Supports the recruitment and retention of Executives of the calibre required to deliver the Group's strategy.
Operation	Base salaries are paid in cash and reflect an individual's responsibilities, performance, skills and experience. Normally reviewed annually with any changes effective on 1 January, taking into account the level of pay settlements across the 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. A review may not necessarily result in an increase in base salary. 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. Salary levels for the current Executive Directors for the 2019 financial year are: CEO: £550,800 FD: £357,000
Maximum opportunity	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: • 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	To incentivise the delivery of annual, short-term, stretching financial and non-financial objectives. To align pay costs to affordability and the value delivered to shareholders.
Operation	Performance measures and targets are set at the beginning of each financial year. Performance is normally assessed over one financial year. 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. Deferred awards will include the right to receive dividend equivalents. Malus and clawback provisions will apply, as set out in the notes to this table. 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.
Maximum opportunity	The maximum annual bonus opportunity is 150 per cent of base salary. In 2019 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. 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.

Performance measures	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. Financial measures may include profitability, cost management, cash management and other appropriate measures. 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. Targets are reviewed and approved annually by the Committee to ensure that they are stretching and adequately reflect the strategic aims of the Group. 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.

Performance Share Plan (PSP)	
Purpose and link to strategy	To align the interests of Executive Directors and shareholders. To incentivise the achievement of longer-term profitability and returns to shareholders, and growth of earnings in a stable and sustainable manner.
Operation	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. 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. 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. 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. Awards are subject to a malus and clawback provision as set out in the notes to this table.
Maximum opportunity	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. The maximum face value of annual awards granted in 2019 will be 200 per cent of salary for the CEO and 175 per cent of salary for the FD. 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.
Performance measures	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. 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 93 to 94 and 99 respectively.

Retirement benefits	
Purpose and link to strategy	To provide an income for retirement.
Operation	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. 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.
Maximum opportunity	Pension contributions or allowances will not exceed 15 per cent of base salary.
Performance measures	N/A

Other benefits	
Purpose and link to strategy	To provide a competitive level of employment benefits.
Operation	No special arrangements are generally made for Executive Directors. Benefits currently include: • a car benefit appropriate for the role performed; • participation in the Company's private health and long-term sickness schemes; • life insurance and income continuance schemes; and • participation in all-employee share plans on the same basis as other eligible employees. All of the Group's UK and German tax-resident employees are eligible to participate in the Company's SAYE scheme, if it is offered. If new benefits are introduced for a wider employee group, the Executive Directors shall be entitled to participate on the same basis as other eligible employees. If, in the opinion of the Committee, a Director must relocate to undertake and properly fulfil his/her executive duties, a cash payment may be made to cover reasonable expenses.
Maximum opportunity	There is no maximum level of benefits provided to an individual Executive Director as the cost of benefits is dependent upon costs in the relevant market. Benefits will be set at levels which are competitive, but not excessive. Participation by Executive Directors in the Sharesave scheme, and any other all-employee share plan operated in the future, is limited to the maximum award levels permitted by HM Revenue and Customs.
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	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. Fee levels are normally reviewed every two years and are next due for review in 2020. They may also be increased on an ongoing or temporary basis to take into account changes in the working of the Board. 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. Travel expenses and hotel costs, including any tax due, are also paid where necessary. 2019 fee levels for the incumbents, to apply from the 2019 AGM are as follows: Non-Executive Chairman: £210,000 Independent Non-Executive Director base fee: £55,000 Founder Non-Executive Director base fee: £50,000 Supplementary fees: Senior Independent Director: £8,000 Audit Committee Chair: £18,000 Remuneration Committee Chair: £10,000
Maximum opportunity	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. Maximum in line with the Company's Articles of Association.
Performance measures	The Chairman of the Board will review individual contributions annually and every three years an independent Board Effectiveness review will be conducted.

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

Malus and clawback

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

Annual bonus

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

Performance Share Plan

Malus may apply prior to vesting in the event of:
- a material misstatement of results; or
- poor risk management resulting in a material reduction in profit; or
- some other substantial reason that the Committee deems appropriate.

Clawback may apply at any time prior to the fifth anniversary of grant in the event of:
- an overpayment to the participant; or
- if the participant leaves in circumstances which, had all the facts been known, would have resulted in the award lapsing.

Remuneration arrangements across the Group

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

The remuneration of employees across the Group is based on three fundamental principles. Firstly, that it allows the Group to retain the level of talent necessary to implement the strategy as set by the 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 and Germany can participate in the Company's all-employee SAYE scheme which is designed to incentivise participants to build a shareholding in the Company, thus aligning their interests with those of the Group's shareholders. This plan is not subject to performance conditions, but requires the employee to remain employed at the end of the term of the scheme which they have joined.

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

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

Annual Remuneration Report

Responsibilities of the Remuneration Committee

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

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

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

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

Membership and attendance

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

Current members	Role	Attendance record
1. Ros Rivaz (Chair from 24/4/18)	Non-Executive Director (Senior Independent Director from 24/4/18)	3/3
2. Greg Lock	Non-Executive Chairman of the Board	3/3
3. Minnow Powell	Non-Executive Director	3/3
4. Regine Stachelhaus	Non-Executive Director	3/3
5. Peter Ryan	Non-Executive Director	2/3*
Former member		
6. Philip Yea (Chair until 24/4/18)	Senior Independent Director (until 24/4/18)	1/1**

* Note that Peter Ryan was appointed on 13 February 2018, a week prior to the first Committee meeting of the year, Peter gave his apologies to the Chair for his absence as he had an unavoidable pre-existing commitment.

** Note that Philip Yea attended the Committee meeting that occurred before he stepped down from the Board on 24 April 2018.

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

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

The total fees paid to Deloitte in relation to advice to the Committee in 2018 were £50,900. The Committee considers the advice that it receives from Deloitte LLP to be independent. During the year, Deloitte also provided tax and share plan advice to the Company. Deloitte is a founding member of the Remuneration Consultants Group and, as such, voluntarily adheres to its Code of Conduct.

Audited information

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

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Single Figure of Total Remuneration

The total amount paid by the Company to each of the Directors, in respect of the financial years ending 31 December 2018 and 2017, is set out in the table below:

	Salary or fees £'000		Benefits £'000		Annual bonus £'000		PSP awards £'000		Pension £'000		Total £'000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Executive												
Mike Norris	**540.0**	525.0	**36.5**[1]	36.0[1]	**557.8**	606.0	**871.8**[2]	1,101.4[5]	**23.7**	23.1	**2,029.8**	2,291.5
Tony Conophy	**350.0**	340.0	**–**	–	**306.7**	308.9	**495.8**[2]	626.4[5]	**41.5**	27.4[6]	**1,194.0**	1,302.7
Non-Executive												
Greg Lock	**195.0**	195.0	**–**	–	**–**	–	**–**	–	**–**	–	**195.0**	195.0
Philip Hulme	**50.0**	50.0	**–**	–	**–**	–	**–**	–	**–**	–	**50.0**	50.0
Peter Ogden	**50.0**	50.0	**–**	–	**–**	–	**–**	–	**–**	–	**50.0**	50.0
Minnow Powell	**66.0**	66.0	**–**	–	**–**	–	**–**	–	**–**	–	**66.0**	66.0
Ros Rivaz[3]	**61.0**	50.0	**–**	–	**–**	–	**–**	–	**–**	–	**61.0**	50.0
Regine Stachelhaus[4]	**50.0**	50.0	**–**	–	**–**	–	**–**	–	**–**	–	**50.0**	50.0
Philip Yea[7]	**22.0**	66.0	**–**	–	**–**	–	**–**	–	**–**	–	**22.0**	66.0
Peter Ryan[8]	**44.2**	–	**–**	–	**–**	–	**–**	–	**–**	–	**44.2**	–
Total (£'000)	**1,428.2**	1,392.0	**36.5**	36.0	**864.5**	914.9	**1,367.6**	1,727.8	**65.2**	50.5	**3,762.0**	4,121.2

1. The benefits figure represents the taxable benefit arising from the provision of a driver service and other travel related benefits for Mike Norris. The benefit figure for 2017 (62.0 in the 2017 report) has been restated on this basis having previously included non-taxable business related expenses.
2. This relates to the 2016 PSP awards which will be paid out in March 2019 and had a performance period of 1 January 2016 to 31 December 2018. The relevant performance criteria was partially achieved and therefore 65.68 per cent of the award vested for each of the Executive Directors. This calculation is based upon the average value of Computacenter plc shares over the last quarter of 2018 being £11.22.
3. Ros Rivaz was appointed to the role of Senior Independent Director and Chair of the Remuneration Committee on 24 April 2018.
4. Paid in Euros.
5. The value of the 2015 PSP awards have been updated to reflect the actual share price at vesting on 21 March 2018 of £11.66.
6. The pensions benefit for Tony Conophy includes £12,488.74 in respect of the year ended 31 December 2016 due to the timing of implementing his election of a revised pension arrangement whereby employees can, under certain conditions, receive a cash payment in lieu of membership of a collective pension scheme.
7. Phillip Yea stepped down from the Board on 24 April 2018.
8. Peter Ryan was appointed to the Board on 13 February 2018.

Remuneration paid in 2018: Executive Directors

2018 base salary

The annual salaries of the Executive Directors were increased by 2.9 per cent in 2018 to £540,000 for the CEO and £350,000 for the FD.

2018 annual bonus

The maximum bonus opportunity in 2018 was 125 per cent of base salary for the CEO and 100 per cent of base salary for the FD. Fifty per cent of the bonus will be deferred into Computacenter shares, with half payable after one year and half payable after two years. Bonus payments are also subject to clawback for two years, in the event that the Group materially misstates its financial results for the reporting period or in the event of misconduct by the Executive Director.

The 2018 annual bonus opportunity was driven by the financial performance of the business and individual targets for each Director. For the year ended 31 December 2018, 80 per cent of this award was conditional on the achievement of criteria linked to the financial performance of the Group. These targets were set by the Committee with reference to the Group's strategic and financial plans, as approved by the Board of Directors. The non-financial personal objectives set for the Executive Directors were based principally on delivery against the Group's strategic objectives and certain people-related objectives, including leadership development and progress on diversity and inclusion.

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The table below sets out details of the annual bonus criteria which applied for the Executive Directors for 2018 and performance delivered:

Measure	As a percentage of Maximum Bonus Opportunity	Performance required: Threshold	Target	Stretch	Maximum	Actual % achieved: CEO	FD	Payout £'000: CEO	FD
Financial criteria									
Profit before tax (£m)	50%	99.0	104.2	108.2	112.2	114.5[1]		337.5	175.0
Percentage payout		10%	20%	35%	50%	50%			
Services contribution growth (£m)	10%	231.5	244.4	257.2	257.2	233.3		36.2	18.8
Percentage payout		5%	7.5%	10%	10%	5.36%			
Cash balance (£m)	10%	57.6	67.3	76.9	76.9	127.4		67.5	35.0
Percentage payout		5%	7.5%	10%	10%	10%			
Costs (£m)	10%	(312.5)	(310.0)	(307.5)	(307.5)	(312.2)		35.6	18.4
Percentage payout		5%	7.5%	10%	10%	5.27%			
Non-financial criteria									
Personal objectives	20%	0%	7.5%	15%	20%	12%	17%	81.0	59.5
Total	100%	25.0%	50%	80%	100%			557.8	306.7

1. Profit before tax represents Group adjusted[1] profit before tax on a currency adjusted basis, excluding the results of the entities acquired during the year.

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

Objectives	Progress in the year
CEO	
Supporting and encouraging a Services revolution including key new hires, establishing significant offshore deployment, automation and execution.	During the year a number of key senior Management hires were made to provide expertise and experience in the areas of offshoring and automation. However, not enough progress has been made in this area.
Progress towards improving the Services margin of the Group by 5 per cent by the end of 2019.	Group Services margin is currently showing improvement. It has had a generic effect across a large number of contracts, however, the 'difficult contracts' have materially moved the margin down to nullify any good work that has been achieved.
Continuing to focus on gender and diversity initiatives as part of leadership development.	Significant progress has been made via the People Panel and diversity and inclusion has been elevated to a mainstream leadership topic. Further progress is expected.
Strategic leadership, including improving the internal understanding of the industry, competition and Computacenter's own capabilities.	Board members have participated in a full strategy day with Management as well as a nominated Board member attending a Management strategy workshop. Board members have met regularly with Management and feedback has been provided from industry analysts and commentators to inform the Board's thinking.

Objectives	Progress in the year
FD	
Implementing systems and processes in our Services business to drive a sustainable one per cent increase in working capital within three years.	Working capital has had increased visibility with the senior Management team and is now a regular item of management focus and despite the challenging environment, cash generation has remained in line with expectations.
Delivering the 'K2' project on time and according to the approved budget.	Despite some initial challenges this project is largely completed with no disruption to service or customer fulfilment. We are very pleased with our new facility in Kerpen.
Enhancing the bid management process to empower the front end of the business.	A comprehensive governance system has been introduced to improve our bid management processes. This has been well received by employees and has enabled us to better understand how we can serve our customers and continuously improve our sales processes.
Expanding Computacenter's global footprint by sourcing customers, who contribute more than £1 million of margin, in new locations.	During 2018 the Group made several acquisitions in new and existing territories which have been executed smoothly. The Group will profit from this expansion and we look forward to seeing the benefits in 2019 and beyond.
Defining and implementing a plan for reducing the number of systems by 25 per cent in all geographies in which we operate.	A small number of systems programmes have been initiated and are on track to deliver a reduction in the number of disparate systems being used in various territories.
Establishing and growing a leasing and financing business unit, including through recruitment, to at least £1 million contribution and establishing appropriate processes and controls.	This has progressed well and is one of the main success stories of 2018. A team has been established which is making a substantive financial contribution.

PSP

The PSP awards granted to Executive Directors with a performance period ending on 31 December 2018 paid out at 65.68 per cent, pursuant to the 2016 PSP Scheme as the relevant performance criteria threshold was partially achieved.

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

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

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

The growth in adjusted[1] diluted EPS during the period 1 January 2016 to 31 December 2018 was 11.99 per cent per annum. This resulted in 93.83 per cent of this element vesting. The EPS number used for the base year of this award (i.e. EPS in 2015) is consistent with the EPS number that was used to calculate the vesting of the 2013–2015 PSP.

Services Revenue Growth – 30 per cent weighting (measured on a constant currency[2] basis)	
Performance level*	Services Revenue Growth CAGR
Maximum (100 per cent vesting)	7.5%
In line with expectations (50 per cent vesting)	5.5%
Threshold (25 per cent vesting)	3.5%

The Services Revenue Growth was 1.95 per cent, resulting in nil per cent of this element vesting.

Remuneration awards granted in 2018: Executive Directors

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Share scheme interests awarded during the year

The table below details awards made during 2018 under the PSP scheme. The performance conditions for these awards are set out in more detail directly below. Any awards that vest will be subject to a two-year holding period.

	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	88,782	£1,049,998[1]	Compound growth of Company EPS (70%)	10%	100%	3 financial years from 1 January 2018
				Compound growth of Services revenue (30%)	25%	100%	
Group FD	PSP – nil cost option	50,310	£595,001[1]	Compound growth of Company EPS (70%)	10%	100%	3 financial years from 1 January 2018
				Compound growth of Services revenue (30%)	25%	100%	

1. This is based on the average mid-market share price of Computacenter plc on the three immediately preceding business days from grant, being £11.83.

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

The compound annual growth rate of the Group's adjusted[1] diluted earnings per share (EPS) (70 per cent weighting)	
Performance level*	**Adjusted[1] diluted EPS Growth CAGR**
Maximum	12.5%
In-line with expectations	8.33%
Threshold	5.0%

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

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

The table below details awards made during 2018 under the Deferred Bonus Plan (DBP) scheme.

	Scheme/type of award	Number of shares	Face value	Vesting date
Group CEO	DBP[2] – Conditional Share	25,622	£303,024[1]	50% – 21 March 2019 50% – 21 March 2020
Group FD	DBP[2] – Conditional Share	13,059	£154,445[1]	50% – 21 March 2019 50% – 21 March 2020

1. This is based on the average mid-market share price of Computacenter Plc on the three immediately preceding business days from grant, being £11.83.
2. These are not subject to any other performance conditions.

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Executive Director outstanding Share Awards as at 31 December 2018

Directors' interests in Share Schemes (audited)

	Schemes	Note	Exercise/ share price	Vesting period/ exercise period	At 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2018
Mike Norris	Sharesave*	1	524.0p	01/12/19 – 31/05/20	**5,782**	–	–	–	**5,782**
	PSP	2	Nil	21/03/18 – 25/03/25	**138,889**	–	94,458	44,431	**–**
	PSP	3	Nil	22/03/19 – 21/03/26	**118,305**	–	–	–	**118,305**
	PSP	4	Nil	22/03/20 – 21/03/27	**142,566**	–	–	–	**142,566**
	PSP	5	Nil	22/03/21 – 21/03/28	**–**	88,782	–	–	**88,782**
	DBP	6	Nil	21/03/19 – 21/03/20	**–**	25,622	–	–	**25,622**
Tony Conophy	Sharesave*	1	1054.0p	01/12/18 – 31/05/19	**8,175**	2,846	4,373	3,802	**2,846**
	PSP	2	Nil	21/03/18 – 25/03/25	**78,993**	–	53,723	25,270	**–**
	PSP	3	Nil	22/03/19 – 21/03/26	**67,286**	–	–	–	**67,286**
	PSP	4	Nil	22/03/20 – 21/03/27	**80,788**	–	–	–	**80,788**
	PSP	5	Nil	22/03/21 – 21/03/28	**–**	50,310	–	–	**50,310**
	DBP	6	Nil	21/03/19 – 21/03/20	**–**	13,059	–	–	**13,059**

1 Issued under the Rules of the Computacenter 2018 Sharesave Plan, which is available to employees and full-time Executive Directors of the Computacenter Group. Eligible employees can save between £5 and £500 a month to purchase options in shares in Computacenter plc at a price fixed at the beginning of the scheme term. There are no conditions relating to the performance of the Company for this scheme. On 24 October 2018, the Company granted 2,846 options to acquire ordinary shares pursuant to the Rules of the Computacenter 2018 Sharesave Plan at an Option Price of £10.54 to Tony Conophy. The 3,802 options granted on 18 October 2017 lapsed in full on 22 January 2018.

2. Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 19 May 2015.
   (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.
3. Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 19 May 2015.
   (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.
4. Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 19 May 2015.
   (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 19 May 2015.
   (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.
6. Conditional shares issued under the terms of the Computacenter 2017 Deferred Bonus Plan. Awards vest in equal tranches on the first and second anniversary of the grant date.

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

Director gains

PSP

Director	Date of vesting	Scheme	Number of shares	Exercise price	Market price at exercise	Gain made
Mike Norris	21/03/2018	PSP	94,458	Nil	£11.66	£1,102,201
Tony Conophy	21/03/2018	PSP	53,723	Nil	£11.66	£626,877

The closing market price of ordinary shares at 31 December 2018 (being the last trading day of 2018) was £10.06.

The highest price during the year was £16.20 and the lowest was £9.52.

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

The Committee notes the new provision in the UK Corporate Governance Code relating to post-employment shareholdings. There is currently a policy in place whereby any share-based awards normally continue on their original time horizons if 'good leaver' status has been awarded including the application of a holding period for PSP awards, therefore requiring Executives to retain an interest in shares post-employment. However, the Committee will continue to keep this under review.

Both the CEO and the FD have met and substantially exceed their shareholding requirement.

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Directors' shareholdings

The beneficial interest of each of the Directors in the shares of the Company, as at 31 December 2018, is as follows:

Current Directors	Number of shares in the Company as at 31 December 2018	Percentage of requirement achieved	Interests in shares			
			SAYE	PSP	DBP	Total
Mike Norris	**1,132,819**	1,055%[3]	5,782[1]	349,653[2]	25,622[1]	1,513,876
Tony Conophy	**1,851,961**	2,662%[3]	2,846[1,4]	198,384[2]	13,059[1]	2,066,250
Greg Lock	**700,000**	n/a	–	–		700,000
Philip Hulme	**9,621,695**	n/a	–	–		9,621,695
Peter Ogden	**18,699,389**	n/a	–	–		18,699,389
Minnow Powell	**1,340**	n/a	–	–		1,340
Ros Rivaz	**1,382**	n/a	–	–		1,382
Regine Stachelhaus	**–**	n/a	–	–		–
Peter Ryan	**900**					900
Philip Yea	**8,000[5]**	n/a	–	–		8,000

Note: There has been no grant of, or trading in, shares of the Company between 1 January 2019 and 11 March 2019.

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 95.
3. Based on the Company's closing share price as at 31 December 2018, being £10.06.
4. On 24 October 2018, the Company granted 2,846 options to acquire ordinary shares pursuant to the Computacenter Sharesave Plus Scheme at an Option Price of £10.54 to Tony Conophy.
5. Represents shareholding as at 24 April 2018, at which point Philip Yea ceased to be a Director.

Dilution limits

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

Payments to past Directors and payments for loss of office

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

Executive service contracts

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

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

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

External appointments for Executive Directors

Executive Directors are permitted to hold outside directorships, subject to approval by the Chairman of the Board, and any such Executive Director is permitted to retain any fees paid for such services. During 2018, Mike Norris served as a Non-Executive Director of Triage Holdings Limited until 9 April 2018 and received a fee of £2,000.

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. 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 16 May 2019.

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

Director	Date of latest letter of appointment	Expiry date	Notice period
Greg Lock	4 May 2017	14 May 2020	3 months
Philip Hulme	4 May 2016	4 May 2019	3 months
Peter Ogden	4 May 2016	4 May 2019	3 months
Minnow Powell	14 December 2017	14 December 2020	3 months
Ros Rivaz	11 November 2016	11 November 2019	3 months
Regine Stachelhaus	4 May 2016	4 May 2019	3 months
Peter Ryan	13 February 2018	13 February 2021	3 months

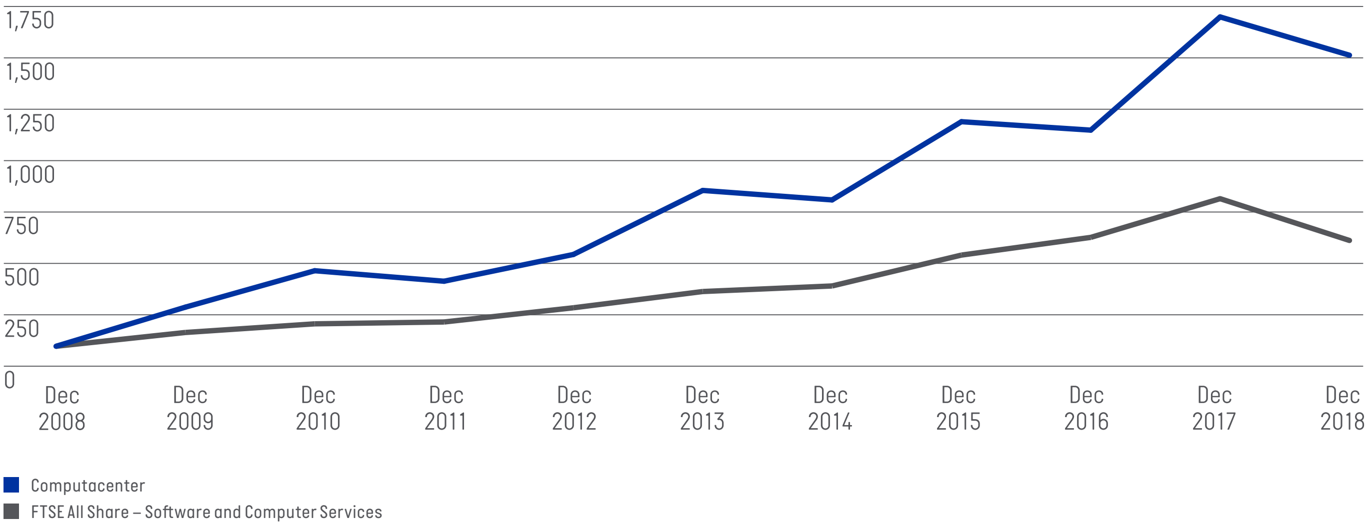
During the year a review of Chairman and Non-Executive Director fees was undertaken. Following this review, it was determined that the Chairman's fee would be increased to £210,000 with effect from the 2019 AGM. The Non-Executive Directors are paid a basic fee, plus additional fees for Chairmanship of Board Committees or SID duties. Following the review, it was determined that the basic fee paid to the Independent Non-Executive Directors, the additional fee for the Chairmanship of the Audit Committee and the additional fee for the position of Senior Independent Director would be increased with effect from the 2019 AGM, as set out in the table below:

Position	2018 Annual fees (£)	2019 Annual fees (£)
Independent Non-Executive Directors	50,000	55,000
Founder Non-Executive Directors	50,000	50,000
Additional fee for the Chairmanship of the Audit Committee	16,000	18,000
Additional fee for the Chairmanship of the Remuneration Committee	10,000	10,000
Additional fee for the position of Senior Independent Director	6,000	8,000

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 2018, of £100 invested in the Company's shares in December 2008, assuming that all dividends received between December 2008 and December 2018 were reinvested in the Company's shares (source: Datastream).

CEO pay history

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CEO single figure of remuneration	1,407,034	1,910,675	1,878,675	1,085,300	937,300	1,506,300	2,763,900	1,807,600	2,291,500	**2,029,800**
Annual bonus payout (as a % of maximum opportunity)	87%	98.5%	63.7%	26.8%	61.2%	69.39%	84.54%	49.12%	92.35%	**82.63%**
Annual bonus	413,250	467,875	350,350	161,000	367,000	451,035	803,200	319,280	606,047	**557,753**
PSP vesting (as a % of maximum opportunity)	100%	100%	100%	58.5%	0%	35.34%	71.5%	85.13%	68.01%	**65.68%**
PSP vesting	489,235	938,201	997,351	385,355	–	478,679	1,384,500	891,800	1,101,400	**871,816**

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 2017 and 31 December 2018.

	Salary	Benefits	Annual bonus
CEO	2.9%	1.4%	-8%
Computacenter UK-based employees	2.1%	11.4%	4.62%

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

Relative importance of spend on pay

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

Expenditure on Group employees' pay

Shareholder distributions

Group adjusted[1] profit before tax*

* As well as information prescribed by current remuneration reporting regulations, Group adjusted[1] 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 2019 will be in accordance with the terms of our Directors' Remuneration Policy table, as set out on pages 86 to 89 of this report.

2019 base salaries

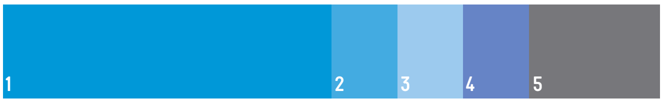
The base salary of the CEO and the FD will increase by two per cent to £550,800 and £357,000 respectively from 1 January 2019.

2019 annual bonus

The performance measures and weightings for the 2019 annual bonus will be as follows:

Mike Norris – CEO

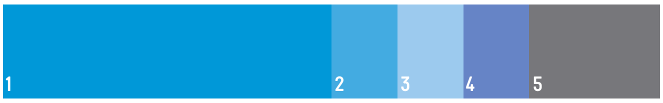
(2019)



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

Tony Conophy – FD

(2019)



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

The measures for 2019 have been set to be challenging relative to our 2019 business plan. The targets themselves, as they relate to the 2019 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 2019 Annual Report and Accounts.

The maximum bonus opportunity for the Executive Directors in 2019 will be 125 per cent of base salary for the CEO, and 100 per cent of base salary for the FD. These awards will be subject to deferral in line with our Policy on page 86.

2019 PSP

The award levels for the Executive Directors in the 2019 financial year are 200 per cent of salary for the CEO and 175 per cent of salary for the FD. The 2019 financial year PSP awards will be subject to the same performance measures and targets as for the 2018 PSP awards as set out above.

The 2019 financial year PSP awards will be subject to a two-year holding period.

Statement of voting

The results of voting on the Directors' Remuneration Report at the Company's 2018 AGM are outlined in the table below:

Votes cast in favour/discretionary		Votes cast against		Total votes cast	Votes withheld/abstentions
94,148,600	99.2%	778,407	0.8%	94,927,007	2,340

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

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

The Committee is grateful for the continuing support of shareholders, and in order to ensure that this continues, the Committee will ensure that it consults with shareholders on major issues on which it feels it is appropriate to do so. It will also continue to adhere to its underlying principle of decision-making that Executive Directors' 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:

Ros Rivaz
Chair of the Remuneration Committee
11 March 2019

Relations with shareholders

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

Dialogue with shareholders

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

Once a year, the Company's top 15 shareholders are invited to meet individually with the Chairman, Company Secretary and, on request, the Senior Independent Director, to provide feedback on the Group's Management, strategy and corporate governance arrangements, and to raise other comment. Only a few shareholders take up this opportunity. These meetings will next take place in April 2019, to address any areas of discussion prior to the Company's next AGM, and to introduce the Chairman-Designate, Peter Ryan. Again, the Board will be briefed on the outcomes of these meetings. Non-Executive Directors are available to meet major shareholders at any time and can be contacted through the Company Secretary, at the Company's registered office address.

Constructive use of General Meetings

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

Annual General Meeting (AGM)

The AGM of the Company will be held on Friday 16 May 2019 at Computacenter House, 100 Blackfriars Road, SE1 8HL. The AGM notice of meeting sets out each of the resolutions being proposed. This notice will shortly be available at investors.computacenter.com, and will be mailed to shareholders if they have elected to receive hard copies.

Compliance with DTR

The information that is required by DTR 7.2.6, relating to the share capital of the Company, can be found within the Directors' Report from page 102.

This Corporate Governance Report was approved, by order of the Board, and signed on its behalf by:

Raymond Gray
Company Secretary
11 March 2019

Directors' Report

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

The Directors present the Directors' Report, together with the audited accounts of Computacenter plc and its subsidiary companies (the Group) for the year ended 31 December 2018.

The pages from the inside front cover to 108 of this Annual Report and Accounts are incorporated by reference into the Directors' Report, which has been drawn up and presented in accordance with English company law, and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Strategic Report

The Companies Act 2006 requires the Group to prepare a Strategic Report, which commences at the start of this Annual Report and Accounts up to page 66. The Strategic Report includes information about the Group's operations and business model, particulars of all important events affecting the Company or its subsidiaries, the Group's financial performance in the year and likely future developments, key performance indicators, principal risks and information regarding the Group's sustainable development plan.

Corporate governance

Under Disclosure and Transparency Rule 7.2, the Company is required to include a Corporate Governance Report within the Directors' Report.

Information on our corporate governance practices can be found in the Corporate Governance Report on pages 67 to 101, and the reports of the Nomination, Audit and Remuneration Committees on pages 74, 78 and 84 respectively, all of which are incorporated into the Directors' Report by reference.

Management Report

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

Results and dividends

The Group's activities resulted in a profit before tax of £108.1 million (2017: £111.7 million). The Group profit for the year, attributable to shareholders, amounted to £80.9 million (2017: £81.3 million).

The Directors recommend a final dividend of 21.6 pence per share (2017: 18.7 pence per share) totalling £24.7 million (2017: £21.1 million). The dividend record date is set on Friday 31 May 2019, and the shares will be marked ex-dividend on Thursday 30 May 2019. This is in line with the normal dividend procedure timetable as set by the London Stock Exchange.

Following the payment of an interim dividend for 2018 of 8.7 pence per share on 12 October 2018, the total dividend per share for 2018 will be 30.3 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 61.

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 2018 Annual Report and Accounts, as described in note 12, is made up of the 2017 final dividend (18.7 pence per share) and the 2018 interim dividend (8.7 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 at investors.computacenter.com. The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders. The Company intends to present amended Articles of Association for approval by special resolution at the Annual General Meeting to be held on 16 May 2019.

Directors and Directors' authority

The Directors who served during the year ended 31 December 2018 were Tony Conophy, Philip Hulme, Greg Lock, Mike Norris, Peter Ogden, Minnow Powell, Ros Rivaz, Peter Ryan, Regine Stachelhaus and Philip Yea. Philip Yea resigned from the Board with effect from 24 April 2018.

Biographical details of each Director, as at 31 December 2018, are given on pages 70 and 71. The Company's Articles of Association require that at each AGM, those Directors who were appointed since the last AGM retire, as well as one-third of the Directors who have been the longest serving. The Board has decided, in accordance with the Code, that all Directors will retire at each forthcoming AGM and offer themselves for re-election. The Nomination Committee has considered each Director who is standing for re-election and recommends their re-election. Further details on the Committee's recommendations for the re-election of the Directors are set out in the Notice of AGM, which summarises the skills and experience that the Directors bring to the Board.

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

Members have previously approved a resolution to give the Directors authority to allot shares, and a renewal of this authority is proposed at the 2019 AGM. This authority allows the Directors to allot shares up to the maximum amount stated in the Notice of AGM (approximately one-third of the issued share capital). In addition, the Company may not allot shares for cash (unless pursuant to an employee share scheme) without first making an offer to existing shareholders in proportion to their existing holdings. This is known as rights of pre-emption. Two resolutions allowing a limited waiver of these rights were passed by the members at the 2018 AGM. Additionally, at the 2018 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 2019, or at the conclusion of the Company's 2019 AGM, whichever is the earlier. The Directors will seek to renew each of the authorities at the 2019 AGM, and full details are provided in the Notice of AGM. As at 28 February 2019, none of these authorities approved by shareholders at the 2018 AGM had been exercised.

Directors' indemnities

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

Directors' conflicts of interest

The Board has put in place a process whereby the Directors are required to notify the Company Secretary of any situations (appointments, holdings or otherwise), or any changes to such, which may give rise to an actual or potential conflict of interest with the Company. These notifications are then reviewed by the Board and recorded in a register maintained by the Company Secretary. If appropriate, they are then 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 2018		As at 1 January 2018 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	**1,132,819**	**–**	1,208,088	–
Tony Conophy	**1,851,961**	**–**	1,871,668	–
Non-Executive Directors				
Greg Lock	**700,000**	**100,000**	600,000	120,000
Philip Hulme	**9,621,695**	**9,757,381**	10,567,582	10,377,815
Peter Ogden	**18,699,389**	**8,103,356**	20,119,473	8,718,748
Minnow Powell	**1,340**	**–**	1,340	–
Ros Rivaz	**1,382**	**–**	1,382	–
Peter Ryan	**900**	**–**	–	–
Regine Stachelhaus	**–**	**–**	–	–
Philip Yea*	**–**	**–**	8,000	–

* Note Philip Yea stepped down from the Board on 24 April 2018 and had 8,000 ordinary shares at this time.

Major interests in shares

In accordance with Disclosure and Transparency Rule 5, between 1 January 2018 and 31 December 2018 the Company was notified by the following shareholders of updates to the disclosable interests that they held in the voting rights of its issued share capital:

Name of major shareholder	Percentage of total voting rights held
JPMorgan Asset Management (UK) Limited*	5.04
Artemis Investment Management LLP	4.99

* Subsequent to this initial notification, the Company was notified that JPMorgan Asset Management (UK) Limited had reduced its holding below the minimum threshold of three per cent.

No further interests have been disclosed to the Company between 31 December 2018 and 28 February 2019.

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

Capital structure and rights attaching to shares

As at 28 February 2019, there were 122,687,970 fully paid ordinary shares in issue, of which the Company held 8,546,861 ordinary shares in treasury. The total number of voting rights in the Company which may be used by shareholders as the denominator for the calculations by which they can determine if they are required to notify their interest in, or a change to their interest in the Company, under the Disclosure and Transparency Rules, is 114,141,109. The percentage of voting rights attributable to those shares it holds in treasury following the share buy-back completed in February 2018 is 6.97 per cent. There are no specific restrictions on the transfer of securities in the Company, which is governed by its Articles of Association and prevailing legislation.

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

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

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

As at 1 January 2018, there were 292,944,196 deferred shares in issue which carried no voting rights. Of these, 228,443,966 deferred shares, being all of the outstanding deferred shares held by deferred shareholders in connection with the return of value in 2013 and the return of value in 2015, were transferred to the Company for nil consideration and cancelled on 13 December 2018. The Company also cancelled 64,500,230 deferred shares that were held in treasury by the Company on 13 December 2018. As at 28 February 2019, there were no deferred shares in issue.

The rights attaching to each of the Company's ordinary shares and deferred shares are set out in its Articles of Association.

Pursuant to the Company's share schemes, there are two employee benefit trusts which, as at the year end, held a total of 1,747,426 ordinary shares of 7⁵⁄₉ pence each, representing approximately 1.42 per cent of the issued share capital and 1.53 per cent of the voting rights. During the year, the trusts purchased a total of 1,158,060 shares in order to ensure that the maturities occurring pursuant to these share schemes could be satisfied. When shares are held by these trusts before being transferred to employee participants then, in line with good practice, the Trustees do not exercise the voting rights attaching to such shares. The Trustees also have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts. During the 2018 financial year, no ordinary shares in the Company were issued for cash to satisfy the exercise of options exercised under the Company's share schemes.

If another entity or individual takes control of the Company, the employee share schemes operated by the Company have change of control provisions that would be triggered. Participants may, in certain circumstances, be allowed to exchange their existing options for options of an equivalent value over shares in the acquiring company. Alternatively, the options may vest early. Early vesting under the executive schemes will generally be on a time-apportioned basis and under the Sharesave scheme, employees will only be able to exercise their options to the extent that their accumulated savings allow at that time. During the period, no ordinary shares were purchased for cancellation. Further detail on the results of the Tender Offer completed in February 2018 can be found in the Group Finance Director's review on page 64.

Significant agreements and relationships

Details regarding the status of the Group's various borrowing facilities are provided in the Group Finance Director's review on pages 60 to 64. These agreements each include a change of control provision, which may result in the facility being withdrawn or amended upon a change of control of the Company. It is also not extraordinary within our business sector for our longer-term Services contracts to contain change of control clauses that allow a counterparty to terminate the relevant contract in the event of a change of control of the Company.

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

Financial instruments

The Group's financial risk management objectives and policies are discussed in the Group Finance Director's review on pages 63 to 64.

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 7⁵⁄₉ pence each (2017: nil shares).

The Company also operates a Performance Share Plan (PSP) to incentivise employees. During the year, 501,643 ordinary shares of 7⁵⁄₉ pence each were conditionally awarded (2017: 783,750 shares). At the year end, awards over 1,810,126 shares remained outstanding under this scheme (2017: 1,993,785 shares). During the year, awards over 469,256 shares were transferred to participants and awards over 216,046 shares lapsed. In addition, the Company operates a Sharesave scheme for the benefit of employees. As at the year end, 4,209,927 options granted under the Sharesave scheme remained outstanding (2017: 4,307,465).

On 21 March 2018, in accordance with the rules of the Computacenter 2017 Deferred Bonus Plan, the Company granted 38,681 conditional awards over ordinary shares of 7⁵⁄₉ pence each.

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 36 to 39 and covers matters regarding health and safety, equal opportunities, employee involvement and employee development. During the year, the Group did not make any political donations to any political party or organisation and it did not incur any political expenditure within the meaning of Sections 362 to 379 of the Companies Act 2006.

Equal opportunities

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

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

Employee involvement and development

The Group is committed to involving all employees in significant business issues, especially matters which affect their work and working environment. A variety of methods are used to engage with employees, including team briefings, intranet, email and in-house publications. The Group uses one or more of these channels to brief employees on the Group's performance and the financial and economic factors affecting the Group's performance. The primary method used to engage and consult with employees is through team briefings, where managers are tasked with ensuring that information sharing, discussion and feedback happen on a regular basis.

Employee consultative forums exist in each Group country, to consult staff on major issues affecting employment and matters of policy, and to enable Management to seek the views and opinions of employees on a wide range of business matters. Should there be cross-jurisdictional issues to discuss, a facility exists to engage a European forum made up of representatives from each country forum. The Senior Independent Director attends at least one meeting per year of this European forum to directly engage with employee representatives and subsequently report a summary of this engagement back to the Board.

The Group regularly reviews the performance of its employees through a formal review process, to identify areas for development. Managers are responsible for setting and reviewing personal objectives, aligned to corporate and functional goals. The Board closely oversees and monitors Management skills and the development of talent to meet the current and future needs of the Group. The Board directly monitors and closely reviews succession and plans for developing identified key senior managers.

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

The Group operates a Save As You Earn (SAYE) share scheme, which is open to eligible employees, where employees are encouraged to save a fixed monthly sum for a period of either three and/or five years. Upon maturity of the scheme, participants can purchase shares in the Company at a price set at the start of the savings period.

Business ethics

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

Going concern

The Directors' statement regarding adoption of the going concern basis of accounting in preparation of the annual Consolidated Financial Statements is set out within the Strategic Report on page 65.

Long-term Viability Statement

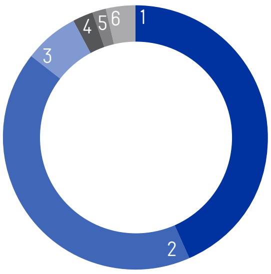
The Directors' statement regarding the long-term viability of the Company is set out within the Strategic Report on page 66.

Greenhouse gas emissions

The Company is required to state the annual quantity of emissions in tonnes of carbon dioxide equivalent from Group activities. Details of this can be found below. Further details of our environmental policies and programmes can be found on our corporate website investors.computacenter.com.

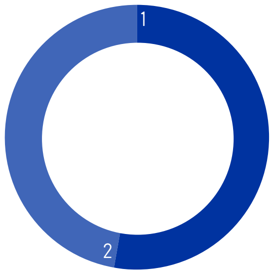
Computacenter plc mandatory greenhouse gas emissions reporting	Methodology	Recent UK-based emission reduction projects
Global GHG emissions data for period: 1 January to 31 December 2018. Emissions = metric tonnes of CO_2e **Year** / **2018** / **2017** Scope 1 / **3,072** / 3,352 Scope 2 / **16,669** / 19,310 Total / **19,741** / 22,662 Scope 1 = Combustion of fuel and refrigerants usage Scope 2 = Electricity, heat, steam and cooling purchased for own use **Group's chosen intensity measurements:** Emissions as reported above are 4.53 metric tonnes per £m value of Group revenue: (2017: 6.20, a reduction of 13.5 per cent). Emissions as reported above 1.30 metric tonnes per Group employee (2017: 1.54, a reduction of 11.8 per cent).	We have used the main requirements of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition). Emission factors used are from the UK Government's Conversion Factors supplied by Defra. Based on external consultants Excel spreadsheets were further developed internally to include the full requirements to collate the additional emissions such as refrigerants. This activity has been conducted as part of our UK Environment Management System which transitioned from the ISO 14001:2004 to ISO 14001:2015 standard (EMS 71255) during 2018. Group properties included in this report are all current locations in the UK, Germany, France, Belgium, Spain, South Africa, USA, Switzerland, Malaysia, China, Mexico and Hungary. We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. **Limitations to data collection** Less than 5 per cent of emissions were estimated or based on an average energy usage per square foot of space occupied.	Continued investments in new technology helping reduce emissions in Data Centers. The electricity used in the Data Centers is circa 53 per cent of the total for the UK. These Data Centers 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. Computacenter Data Centers continually adopt best practices in this field and are signed up to the European Code of Conduct for Data Centers. Our 2018 projects delivered a 10 per cent kWh reduction in Data Centre energy consumption. We have more exciting projects planned for 2019. The UK warehouse, Nottingham office refurbishment and relocation of the Milton Keynes office continued to have more lighting replaced with energy efficient LED devices. Environmental awareness training has been rolled out to UK employees with the aim of making everyone aware of energy waste and the potential savings that could be made in the future.
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. Computacenter will be submitting its ESOS report for phase 2 during 2019.	

Emissions = 22,662 metric tonnes of CO_2e



1 UK 43.57%
2 Germany 41.99%
3 South Africa 6.91%
4 France 2.34%
5 Belgium 1.65%
6 Others:
Spain 1.09%
Malaysia 0.94%
Switzerland 0.75%
Hungary 0.54%
USA 0.22%

Revenue by business type



1 Data Center 53%
2 Facilities 47%

Auditor
A resolution to reappoint KPMG LLP as the auditor of the Group was approved by the Company's shareholders at the Company's 2018 AGM.

A resolution to reappoint KPMG LLP as the auditor of the Group will be put to shareholders at the forthcoming 2019 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 is 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 87.
Waiver of emoluments by a Director	N/A
Waiver of future emoluments by a Director	N/A
Non pre-emptive issues of equity for cash	N/A
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	N/A
Contracts of significance	Details of significant contracts are set out in the Group Finance Director's review on pages 61 to 64. Details of transactions with related parties are set out on page 163 in note 33 to the Consolidated Financial Statements.
Provision of services by a controlling shareholder	N/A
Shareholder waiver of dividends	The Trustees of the Company's employee share schemes have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.
Shareholder waiver of future dividends	The Trustees of the Company's employee share schemes have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.
Agreements with controlling shareholder	Any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30 per cent or more of the votes able to be cast on all or substantially all matters at general meetings are known as 'controlling shareholders'. The Financial Conduct Authority's Listing Rules now require companies with controlling shareholders to enter into a written and legally binding agreement (a Relationship Agreement) which is intended to ensure that the controlling shareholder complies with certain 'independence related' provisions. The Company confirms that it has undertaken a thorough process during the reporting period to review whether it has any 'controlling shareholders'. Following this process, it was determined that there was no requirement on the Company to enter into a Relationship Agreement with any of its shareholders. The Company confirms that this remains the case as at 31 December 2018, but will keep the matter under review.

MJ Norris
Chief Executive Officer
11 March 2019

FA Conophy
Group Finance Director
11 March 2019

Directors' Responsibilities

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 International Financial Reporting Standards as adopted by the European Union ('IFRSs 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, relevant, reliable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs 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;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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.

Responsibility statement of the Directors in respect of the Annual Report and Accounts
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 the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Annual Report from inside front cover to page 108 was approved by the Board of Directors and authorised for issue on 11 March 2019 and signed for on behalf of the Board by:

Mike Norris
Chief Executive Officer

Tony Conophy
Group Finance Director

Independent auditor's report
to the members of Computacenter plc

1. Our opinion is unmodified

We have audited the Financial Statements of Computacenter plc ('the Company') for the year ended 31 December 2018 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Balance Sheet and Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2. In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 19 May 2015. The period of total uninterrupted engagement is for the four financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

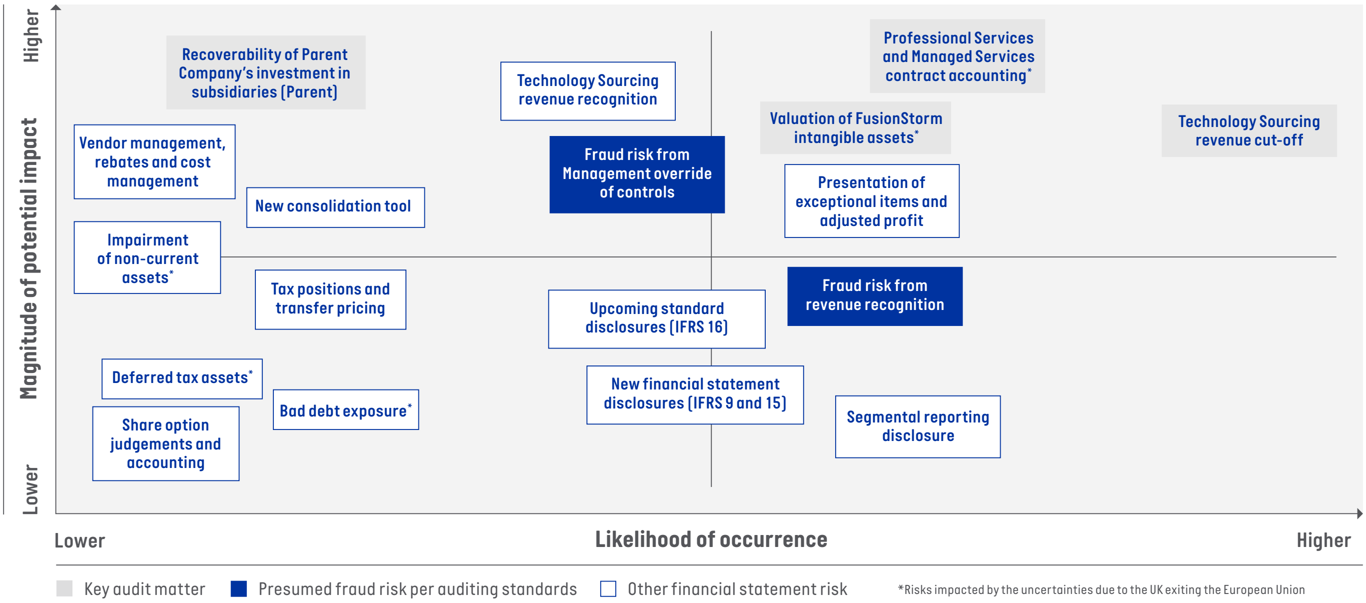
Overview		
Materiality: Group Financial Statements as a whole		£5.0 million (2017: £4.5 million) 4.4 per cent (2017: 4.2 per cent) of normalised profit before tax
Coverage		99 per cent (2017: 93 per cent) of Group profit before tax
Key audit matters		**vs 2017**
Recurring risks	Professional Services and Managed Services contract accounting	< >
	Technology Sourcing revenue cut-off	< >
	Recoverability of Parent Company's investment in subsidiaries (Parent)	< >
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union on our audit	^
	New: Valuation of FusionStorm intangible assets	^

2. Key audit matters: including 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 and subsequently discussed changes to our assessment. Our final risk map is shown below. We identified five key audit matters that were expected to have the greatest effect on our audit. Throughout our audit we continually reassess the significance of each of these key audit matters. Due to events during the audit period we added two new key audit matters relating to:

- The impact of uncertainties due to the UK exiting the European Union on our audit; and
- Valuation of FusionStorm intangible assets

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.



	The risk	Our response

The impact of uncertainties due to the UK exiting the European Union on our audit

Refer to page 81 (Audit Committee Report).

Unprecedented levels of uncertainty:

All audits assess and challenge the reasonableness of estimates, in particular as described in Revenue – Professional Services and Managed Services contract accounting and the valuation of FusionStorm intangible assets below, and related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement 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.

Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.

Our procedures included:

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks.
- **Sensitivity analysis:** When addressing revenue – Professional Services and Managed Services contract accounting and the valuation of FusionStorm intangible assets and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on Revenue – Professional Services and Managed Services contract accounting and the valuation of FusionStorm intangible assets we considered all of the Brexit related disclosures together, including those in the Strategic Report, comparing the overall picture against our understanding of the risks.

Our findings

- As reported under Revenue – Professional Services and Managed Services contract accounting and the valuation of FusionStorm intangible assets, we found the resulting estimates to be mildly cautious for Professional Services and Managed Services contract accounting, and balanced for valuation of FusionStorm intangible assets. We also found the related disclosures of Revenue – Professional Services and Managed Services contract accounting and the valuation of FusionStorm intangible assets, and disclosures in relation to going concern to be proportionate. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Professional Services and Managed Services contract accounting (Revenue – £1,175.0 million; 2017: £1,157.2 million) (Onerous contract provisions – £16.4 million; 2017: £8.2 million) Refer to page 79 (Audit Committee Report), pages 124 to 125 (accounting policy) and pages 131 and 153 (financial disclosures).	**Subjective estimate:** The contractual arrangements that underpin the measurement and recognition of revenue by the Group can be complex, with significant estimation of future financial performance in fulfilment of the contract required. Key sources of estimation uncertainty include: • assessment of stage of completion by reference to estimated costs to complete a contract. These significant estimates include total contract costs taking into consideration contract risks, technical risks, and other delivery assumptions; and • where an onerous contract provision is required, estimation is required in assessing the level of provision, including estimated costs to complete and total contract revenue, taking into account performance and delivery risks to the end of the contract, contractual obligations, extension periods and customer negotiations. The effect of these matters is that, as part of our risk assessment, we determined that the revenue recognition and the value of the onerous contract provisions has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole. The Financial Statements (note 3) disclose the sensitivity estimated by the Group.	Contracts were selected for substantive audit procedures based on qualitative factors, such as commercial complexity, and quantitative factors, such as financial significance and profitability that we considered to be indicative of risk. Our audit testing for the contracts selected included the following: • **Our sector expertise:** Assessing whether the revenue recognition methodology applied was consistent with accounting standards. • **Our sector expertise:** Inspecting and challenging accounting papers prepared by the Group to understand the support provided in respect of key contract estimates and onerous contract provisions. • **Tests of detail:** Inspecting the detailed contractual terms to identify the service obligations and inspecting customer sign-off on acceptance of the sample of deliverables to determine the appropriateness of revenue recognition. • **Tests of detail:** Consider the existence of contradictory evidence for future forecast costs including the risks and estimates within these forecasts by obtaining evidence through discussions with key management personnel, relevant correspondence with customers and delivery performance to date. • **Tests of detail:** Inspecting relevant correspondence with customers and third parties, in instances where contractual variations and claims have arisen on selected contracts, to inform our assessment of the revenue and costs recorded up to the balance sheet date on those contracts. • **Historical comparisons:** Comparing the previous contract forecasts to historical and in year performance to assess the historical accuracy of the forecasts for a sample of completed projects in the year and specifically for those contracts where an onerous contract provision is recorded. • **Assessing transparency:** Assessing the adequacy of the Group's disclosure about estimation uncertainty regarding Managed and Professional Services revenue and onerous contract provisions. **Our findings** • We found the resulting estimates of revenue to be mildly cautious (2017 finding: mildly cautious). In addition, we found the estimates in relation to onerous contract provisions to be mildly cautious (2017 finding: mildly cautious). We found the Group's disclosures to be proportionate in their description of the estimation uncertainty regarding Managed and Professional Services revenue and onerous contract provisions.
Revenue – Technology Sourcing revenue cut-off (£3,177.6 million; 2017: £2,636.2 million) Refer to page 79 (Audit Committee Report), page 124 (accounting policy).	**2018/2019 sales:** Technology Sourcing revenue includes revenues from numerous product groups each sold with varying contractual terms and conditions that in turn impact the point in time at which all delivery obligations, and therefore the transfer of control has been fulfilled, and hence revenue is recognised. Whilst there is little judgement required in identifying the appropriate accounting policy, the volume of orders close to year end gives rise to some risk that revenue is recognised too early or late.	Our procedures included: • **Control operation:** Testing automated controls that are designed to ensure that Technology Sourcing revenue transactions are recognised in accordance with the Group's accounting policies. • **Tests of details:** Inspecting proof of delivery or signed buy and store agreements for a sample of orders selected close to year end in order to assess whether the policy had been correctly applied to recognise revenue in the appropriate period. This sample is selected on the basis of a statistical sample methodology combined with items over a determined threshold. • **Tests of details:** Inspecting sales invoices and proof of delivery for a sample of credit notes raised subsequent to the year end in order to assess whether Technology Sourcing revenue related to a valid sale and was recognised in the correct period, and whether there were any systemic issues around revenue cut-off. **Our findings** • Our testing over Technology Sourcing revenue cut-off found uncorrected errors, for which we have reported an audit difference, which was not considered to be material to the accounts (2017: no errors found).

Valuation of FusionStorm intangible assets (£66.2 million; 2017: £nil) Refer to page 79 (Audit Committee Report), page 127 (accounting policy) and pages 143 and 157 (financial disclosures).	**Forecast-based valuation** On 1 October 2018 Computacenter plc acquired the entire Share Capital of FusionStorm for consideration of $90 million. We identified the valuation of FusionStorm intangibles as a risk because of the inherent complexity due to the judgements and assumptions applied by management in assessing the fair value of the identified intangibles, and because of the size of the acquisition. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of intangible assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole.	Our procedures included: • **Our valuation expertise:** Use of our own valuation specialists to assess the appropriateness of the valuation methodology applied. • **Benchmarking assumptions:** Comparing the Group's assumptions to externally derived data in relation to key inputs such as revenue growth rates, customer attrition rate and discount rates. • **Historical comparisons:** Challenging the reasonableness of the assumptions, particularly revenue growth rates and customer attrition rates by assessing the historical accuracy of FusionStorm's ability to forecast accurately and comparing to previous performance. • **Assessing transparency:** Assess whether the Group's disclosures relating to the valuation of acquired intangibles are appropriately comprehensive. **Our findings** • We found the resulting valuation of FusionStorm intangible assets to be balanced. We found the Group's disclosures to be proportionate in their description of the forecast uncertainty regarding valuation of FusionStorm intangible assets.
Recoverability of Parent Company's investment in subsidiaries (£319.5 million; 2017: £206.8 million) Refer to page 80 (Audit Committee Report), page 166 (accounting policy) and page 168 (financial disclosures).	**Low risk, high value:** The carrying amount of the Parent Company's investments in subsidiaries represents 74 per cent (2017: 47 per cent) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company Financial Statements, this is considered to be the area that had the greatest effect on our overall Parent Company audit.	Our procedures included: • **Tests of detail:** Comparing the carrying amount of material investments with the relevant subsidiaries' draft balance sheets to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. • **Assessing subsidiary audits:** Assessing the work performed by the subsidiary audit teams of those subsidiaries where audits are performed and considering the results of that work on those subsidiaries' profits and net assets. • **Our sector experience:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based upon a discounted cash flow model. **Our findings** • We found the Group's assessment of the recoverability of the investment in subsidiaries to be balanced (2017: balanced).

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

Materiality for the Group Financial Statements as a whole was set at £5.0 million (2017: £4.5 million), determined with reference to a benchmark of Group profit before tax of £113.8 million (2017: £106.0 million), normalised to exclude this year's exceptional items as disclosed in note 6, of which it represents 4.4 per cent (2017: 4.2 per cent). In addition, we applied materiality of £0.1 million (2017: £0.1 million) to related party transactions for which we believe misstatements of lesser amounts than materiality for the Financial Statements as a whole could be reasonably expected to influence the Company's assessment of the financial performance of the Group.

Materiality for the Parent Company Financial Statements as a whole was set at £4.5 million (2017: £4.0 million), determined with reference to a benchmark of Company total assets, of which it represents 1.0 per cent (2017: 0.9 per cent).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5 million (2017: £0.5 million) in respect of misstatements which relate solely to reclassifications within the balance sheet, and £0.25 million (2017: £0.10 million) in respect of all other misstatements, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

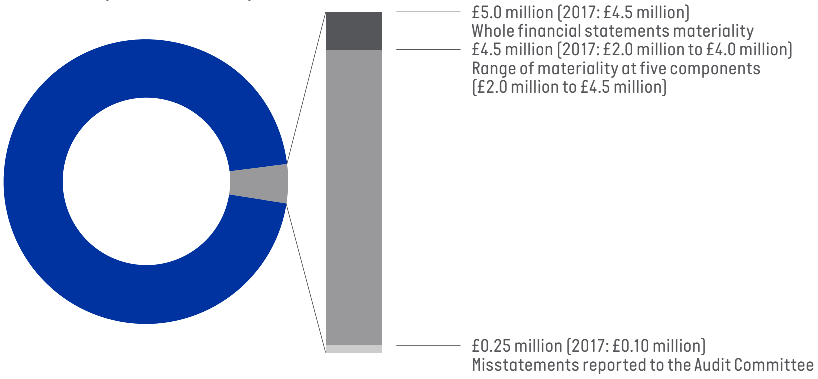
Of the Group's 17 (2017: 16) reporting components, we subjected four (2017: four) to full scope audits for Group purposes and one (2017: none) to specified risk-focused audit procedures. The latter was not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. The components within the scope of our work accounted for the percentages illustrated opposite. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these. The remaining 3 per cent of total Group revenue, 1 per cent of Group profit before tax and 3 per cent of total Group assets is represented by 12 reporting components, none of which individually represented more than 1 per cent of any of total Group revenue, Group profit before tax or total Group assets.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component's materialities, which ranged from £2.0 million to £4.5 million (2017: £2.0 million to £4.0 million), having regard to the mix of size and risk profile of the Group across the components. The work on three of the five components (2017: two of the four components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team. For those items excluded from normalised Group profit before tax, the component teams performed procedures on items relating to their components. The Group team performed procedures on the remaining excluded items.

The Group team visited the three (2017: two) overseas component locations in France, Germany and the US, in addition to the Shared Service Centre in Hungary (2017: France, Germany and Shared Service Centre in Hungary) to assess the audit risk and strategy. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

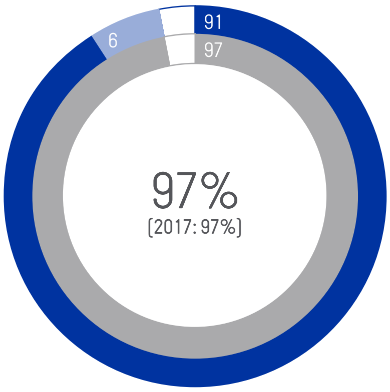
Group profit before tax, normalised to exclude exceptional items
£113.8 million (2017: £106.0 million)

Group materiality
£5.0 million (2017: £4.5 million)

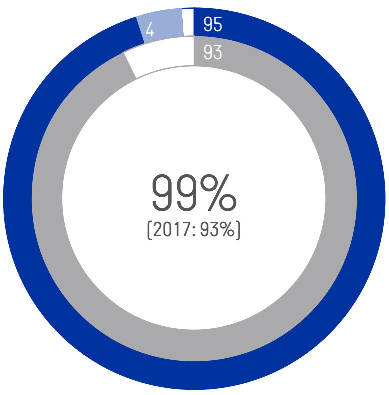


- Group profit before tax, normalised to exclude exceptional items
- Group materiality

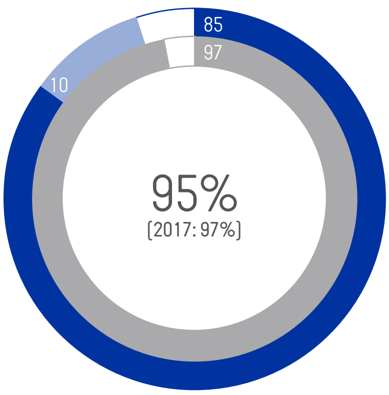
Group revenue



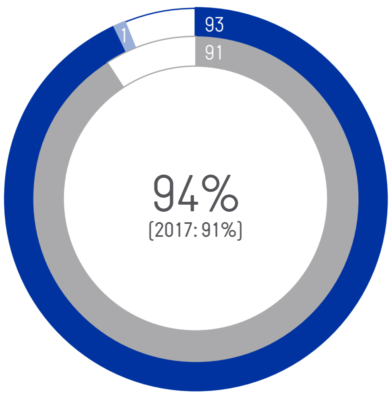
Group profit before tax



Group total assets



Group profit before exceptional items and tax



- Full scope for Group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Full scope for Group audit purposes 2017
- Residual components

4. We have nothing to report on going concern

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Company's available financial resources over this period were:

- A contraction in technology sourcing and service margins
- The impact of a significant business continuity issues affecting a number of the Company's key customers

As these were risks that could potentially cast significant doubt on the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Company's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as Brexit.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement on page 95 of this Annual Report on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the Financial Statements; or
- the related statement under the Listing Rules set out on page 107 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the Directors' confirmation within the Viability Statement on page 105 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our Financial Statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our Financial Statements audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 108, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Financial Statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. These limited procedures did not identify actual or suspected non-compliance
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the terms of our engagement by the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report, and the further matters we are required to state to them in accordance with the terms agreed with the Company, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Tudor Aw (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
11 March 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	4	**4,352,570**	3,793,371
Cost of sales		**(3,804,019)**	(3,297,142)
Gross profit		**548,551**	496,229
Administrative expenses		**(439,183)**	(389,437)
Operating profit		**109,368**	106,792
Gain on disposal of an investment property	6	**–**	4,320
Finance revenue	8	**1,250**	1,521
Finance costs	9	**(2,490)**	(938)
Profit before tax		**108,128**	111,695
Income tax expense	10	**(27,199)**	(30,381)
Profit for the year		**80,929**	81,314
Attributable to:			
Equity holders of the Parent		**80,931**	81,314
Non-controlling interests		**(2)**	–
Profit for the year		**80,929**	81,314
Earnings per share:			
– basic	11	**71.4p**	67.3p
– diluted	11	**70.1p**	66.5p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the year	**80,929**	81,314
Items that may be reclassified to Consolidated Income Statement:		
(Loss)/gain arising on cash flow hedge	**(3,231)**	217
Income tax effect	**490**	(37)
	(2,741)	180
Exchange differences on translation of foreign operations	**7,828**	4,994
	5,087	5,174
Items not to be reclassified to Consolidated Income Statement:		
Remeasurement of defined benefit plan	**(1,000)**	(668)
Other comprehensive income for the year, net of tax	**4,087**	4,506
Total comprehensive income for the year	**85,016**	85,820
Attributable to:		
Equity holders of the Parent	**85,013**	85,820
Non-controlling interests	**3**	–
	85,016	85,820

Consolidated Balance Sheet

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	13	**106,267**	77,904
Intangible assets	15	**184,613**	80,335
Investment in associate	17a	**57**	56
Deferred income tax asset	10d	**9,587**	9,063
Prepayments		**3,524**	–
		304,048	167,358
Current assets			
Inventories	18	**99,524**	69,289
Trade and other receivables	19	**1,180,394**	835,446
Prepayments		**69,320**	59,679
Accrued income		**101,899**	102,922
Forward currency contracts	23	**3,851**	8,209
Cash and short-term deposits	20	**200,442**	206,605
		1,655,430	1,282,150
Total assets		**1,959,478**	1,449,508
Current liabilities			
Trade and other payables	21	**1,142,628**	791,980
Deferred income		**143,080**	113,875
Financial liabilities	22	**10,640**	3,755
Forward currency contracts	23	**612**	1,196
Income tax payable		**42,184**	28,422
Provisions	25	**11,990**	1,681
		1,351,134	940,909
Non-current liabilities			
Financial liabilities	22	**132,522**	11,663
Provisions	25	**15,041**	7,599
Deferred income tax liabilities	10d	**13,009**	477
		160,572	19,739
Total liabilities		**1,511,706**	960,648
Net assets		**447,772**	488,860
Capital and reserves			
Issued share capital	28	**9,270**	9,299
Share premium	28	**3,942**	3,913
Capital redemption reserve	28	**74,957**	74,957
Own shares held	28	**(113,474)**	(11,360)
Translation and hedging reserves	28	**32,941**	27,859
Retained earnings		**440,119**	384,178
Shareholders' equity		**447,755**	488,846
Non-controlling interests		**17**	14
Total equity		**447,772**	488,860

Approved by the Board on 11 March 2019.

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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 2018	**9,299**	**3,913**	**74,957**	**(11,360)**	**27,859**	**384,178**	**488,846**	**14**	**488,860**
Restatement – Implementation of IFRS 15	–	–	–	–	–	**6,547**	**6,547**	–	**6,547**
At 1 January 2018 – restated	**9,299**	**3,913**	**74,957**	**(11,360)**	**27,859**	**390,725**	**495,393**	**14**	**495,407**
Profit for the year	–	–	–	–	–	**80,931**	**80,931**	**(2)**	**80,929**
Other comprehensive income	–	–	–	–	**5,082**	**(1,000)**	**4,082**	**5**	**4,087**
Total comprehensive income	–	–	–	–	**5,082**	**79,931**	**85,013**	**3**	**85,016**
Cost of share-based payments	–	–	–	–	–	**6,425**	**6,425**	–	**6,425**
Tax on share-based payments	–	–	–	–	–	**2,706**	**2,706**	–	**2,706**
Exercise of options	–	–	–	**11,158**	–	**(7,592)**	**3,566**	–	**3,566**
Purchase of own shares	–	–	–	**(13,274)**	–	–	**(13,274)**	–	**(13,274)**
Return of Value (RoV)	–	–	–	**(99,998)**	–	–	**(99,998)**	–	**(99,998)**
Expenses relating to RoV	–	–	–	–	–	**(1,196)**	**(1,196)**	–	**(1,196)**
Cancellation of deferred shares	**(29)**	**29**	–	–	–	–	–	–	–
Equity dividends	–	–	–	–	–	**(30,880)**	**(30,880)**	–	**(30,880)**
At 31 December 2018	**9,270**	**3,942**	**74,957**	**(113,474)**	**32,941**	**440,119**	**447,755**	**17**	**447,772**
At 1 January 2017	9,299	3,913	74,957	(12,115)	22,685	329,214	427,953	14	427,967
Profit for the year	–	–	–	–	–	81,314	81,314	–	81,314
Other comprehensive income	–	–	–	–	5,174	(668)	4,506	–	4,506
Total comprehensive income	–	–	–	–	5,174	80,646	85,820	–	85,820
Cost of share-based payments	–	–	–	–	–	6,200	6,200	–	6,200
Tax on share-based payments	–	–	–	–	–	1,619	1,619	–	1,619
Exercise of options	–	–	–	9,613	–	(6,389)	3,224	–	3,224
Purchase of own shares	–	–	–	(8,858)	–	–	(8,858)	–	(8,858)
Equity dividends	–	–	–	–	–	(27,112)	(27,112)	–	(27,112)
At 31 December 2017	9,299	3,913	74,957	(11,360)	27,859	384,178	488,846	14	488,860

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Operating activities			
Profit before taxation		**108,128**	111,695
Net finance cost/(income)		**1,240**	(583)
Depreciation of property, plant and equipment	13	**19,380**	16,384
Amortisation of intangible assets	15	**15,428**	12,237
Depreciation of investment property	14	**–**	91
Share-based payments		**6,425**	6,200
Gain on disposal of an investment property	6	**–**	(4,320)
Loss/(gain) on disposal of intangibles		**164**	(688)
Loss/(gain) on disposal of property, plant and equipment		**177**	(535)
Net cash flow from inventories		**(28,887)**	(23,583)
Net cash flow from trade and other receivables (including contract assets)		**(274,968)**	(94,718)
Net cash flow from trade and other payables (including contract liabilities)		**285,361**	99,004
Net cash flow from provisions		**5,865**	281
Other adjustments		**726**	(477)
Cash generated from operations		**139,039**	120,988
Income taxes paid		**(23,821)**	(14,881)
Net cash flow from operating activities		**115,218**	106,107
Investing activities			
Interest received	8	**1,250**	1,521
Acquisition of subsidiaries, net of cash acquired		**(55,970)**	(7,376)
Purchases of property, plant and equipment	13	**(45,442)**	(30,439)
Purchases of intangible assets	15	**(5,935)**	(9,618)
Proceeds from disposal of property, plant and equipment		**146**	915
Decrease in current asset investments		**–**	30,000
Proceeds from disposal of an investment property		**–**	14,450
Proceeds from disposal of intangible assets		**–**	1,381
Net cash flow from investing activities		**(105,951)**	834
Financing activities			
Interest paid	9	**(2,490)**	(938)
Dividends paid to equity shareholders of the Parent	12	**(30,880)**	(27,112)
Return of Value (RoV)		**(99,998)**	–
Expenses on RoV		**(1,196)**	–
Proceeds from share issues		**3,566**	3,224
Purchase of own shares		**(13,274)**	(8,858)
Repayment of capital element of finance leases		**(803)**	(1,676)
Repayment of loans		**(1,119)**	(632)
New borrowings – finance leases		**5,125**	3,162
New borrowings – bank loan		**124,065**	10,591
Net cash flow from financing activities		**(17,004)**	(22,239)
(Decrease)/increase in cash and cash equivalents		**(7,737)**	84,702
Effect of exchange rates on cash and cash equivalents		**1,580**	3,221
Cash and cash equivalents at the beginning of the year	20	**206,599**	118,676
Cash and cash equivalents at the year end	20	**200,442**	206,599

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1 Authorisation of Consolidated Financial Statements and statement of compliance with IFRS

The Consolidated Financial Statements of Computacenter plc (Parent Company or the Company) and its subsidiaries (the Group) for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 11 March 2019. The Consolidated Balance Sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the Consolidated Financial Statements of the Group for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006.

2 Summary of significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year as disclosed in the 2017 Annual Report and Accounts except that the Group has had to change its accounting policies and make material retrospective adjustments as a result of adopting IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15'). The impact of the adoption of IFRS 15 are disclosed below.

The Group has adopted IFRS 15 from 1 January 2018 which has resulted in changes in accounting policies and adjustments to the amounts recognised in the Consolidated Financial Statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules using the modified retrospective approach, meaning that the cumulative effect of applying the new accounting policies has been recognised as an adjustment in equity as at 1 January 2018. The overall net impact of all adjustments was a credit to retained earnings of £6.5 million as at 1 January 2018.

Adjustments were required in relation to:

- Certain costs, such as win fees (a form of commission) and fulfilment cost are capitalised and spread over the life of the contract, as opposed to being expensed as incurred as was the case under the previous policy. This resulted in an increase to retained earnings of £7.6 million as at 1 January 2018, with the corresponding entry to prepayments. The tax impact of this adjustment is a debit to equity of £1.4 million and a corresponding increase in deferred tax liabilities as at 1 January 2018. The net impact on retained earnings as at 1 January 2018 is £6.2 million. This change in accounting policy resulted in a recognition of a net cost in FY2018 of £1.2 million with a corresponding credit to tax for the year, as presented in the table below. As at 31 December 2018, the win fee balance was £6.2 million.
- Certain elements of Managed Services contracts, for example those relating to Entry Into Service, are not treated as separate performance obligations under the new policy. Under the new policy, these services are treated as part of the ongoing performance obligations in the contract. This means the revenues and costs associated with Entry Into Service are recognised over the life of the contracts with customers rather than being recognised as incurred as was the case historically. This resulted in an increase to retained earnings of £0.5 million as at 1 January 2018, with the corresponding entry to prepayments. The tax impact of this adjustment is a debit to equity of £0.1 million and a corresponding increase in deferred tax liabilities as at 1 January 2018. The net impact on retained earnings as at 1 January 2018 is £0.4 million. This change in accounting policy resulted in a reduction in revenue of £4.5 million and cost of sales of £4.8 million and in a recognition of a net cost in FY2018 of £0.3 million with a corresponding credit to tax for the year, as presented in the table below. As at 31 December 2018, the fulfilment cost balance was £0.3 million.

IFRS 15 has been adopted using the modified retrospective approach, therefore comparative amounts have not been restated. For comparability purposes, the following table gives the impact of the adoption of the new standard on the Consolidated Balance Sheet and Consolidated Income Statement for the year ended 31 December 2018 by showing what the results would have been had they been prepared under the previous accounting policies.

Consolidated Income Statement

	2018 as reported £'000	Adjustments £'000	Results without adoption of IFRS 15 £'000
Revenue	**4,352,570**	(4,454)	**4,348,116**
Cost of sales	**(3,804,019)**	4,756	**(3,799,263)**
Gross profit	**548,551**	302	**548,853**
Administrative expenses	**(439,183)**	1,216	**(437,967)**
Operating profit	**109,368**	1,518	**110,886**
Gain on disposal of an investment property	**–**	–	**–**
Finance revenue	**1,250**	–	**1,250**
Finance costs	**(2,490)**	–	**(2,490)**
Profit before tax	**108,128**	1,518	**109,646**
Income tax expense	**(27,199)**	(424)	**(27,623)**
Profit for the year	**80,929**	1,094	**82,023**
Earnings per share:			
– basic	**71.4**	0.9	**72.3**
– diluted	**70.1**	0.9	**71.0**
Total comprehensive income for the year	**85,016**	1,094	**86,110**

2 Summary of significant accounting policies continued

Consolidated Balance Sheet

	2018 as reported £'000	Adjustments £'000	Results without adoption of IFRS 15 £'000
Non-current assets			
Prepayments	**3,524**	(3,524)	**–**
Others	**300,524**	–	**300,524**
	304,048	(3,524)	**300,524**
Current assets			
Prepayments	**69,320**	(2,720)	**66,600**
Others	**1,586,110**	–	**1,586,110**
	1,655,430	(2,720)	**1,652,710**
Total assets	**1,959,478**	(6,244)	**1,953,234**
Current liabilities			
Others	**1,351,134**	–	**1,351,134**
	1,351,134	–	**1,351,134**
Non-current liabilities			
Deferred income tax liabilities	**13,009**	(791)	**12,218**
Others	**147,563**	–	**147,563**
	160,572	(791)	**159,781**
Total liabilities	**1,511,706**	(791)	**1,510,915**
Net assets	**447,772**	(5,453)	**442,319**
Capital and reserves			
Retained earnings	**433,572**	1,094	**434,666**
Opening balance adjustment to retained earnings	**6,547**	(6,547)	**–**
Others	**7,653**	–	**7,653**
Total equity	**447,772**	(5,453)	**442,319**

Consolidated Cash Flow Statement

	2018 as reported £'000	Adjustments £'000	Results without adoption of IFRS 15 £'000
Profit before taxation	**108,128**	1,518	**109,646**
Adjustments for non-cash operating items	**42,617**	(424)	**42,193**
Net cash flow from trade and other receivables	**(274,968)**	(1,094)	**(276,062)**
Others	**239,441**	–	**239,441**
Net cash flow from operating activities	**115,218**	–	**115,218**
Net cash flow from investing activities	**(105,951)**	–	**(105,951)**
Net cash flow from financing activities	**(17,004)**	–	**(17,004)**
(Decrease)/increase in cash and cash equivalents	**(7,737)**	–	**(7,737)**
Effect of exchange rates on cash and cash equivalents	**1,580**	–	**1,580**
Cash and cash equivalents at the beginning of the year	**206,599**	–	**206,599**
Cash and cash equivalents at the year end	**200,442**	–	**200,442**

IFRS 9 –Financial Instruments ('IFRS 9')

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces the classification and measurement models for financial instruments in IAS 39. The Group has assessed its balance sheet assets in accordance with the new classification requirements. There has been no change in the measurement for any of the Group's financial assets or liabilities.

In addition, IFRS 9 introduces an 'expected loss' model for the assessment of impairment of financial assets. The 'incurred loss' model under IAS 39 required the Group to recognise impairment losses when there was objective evidence that an asset was impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. However, as permitted by IFRS 9, the Group applies the 'simplified approach' to trade receivable balances. Due to the general quality and short-term nature of the trade receivables, there is no significant impact on introduction of the 'simplified approach'.

The Group applies the hedge accounting requirements under IFRS 9 and its hedging activities are discussed in note 23 of the 2018 Annual Report and Accounts with movements on hedging reserves disclosed on the Consolidated Statement of Changes in Equity. The Group's existing hedging arrangements have been assessed as compliant with IFRS 9. The adoption of IFRS 9 from 1 January 2018 does not have a material impact on the Group's reported results.

The following table presents the Group's financial instruments, showing their original measurement category under IAS 39 and new measurement categories under IFRS 9, as at 1 January 2018. There has been no measurement change to any of the financial instruments upon adoption of IFRS 9.

Financial instrument	IAS 39 classification	IFRS 9 classification
Financial assets		
Cash and cash equivalents	Loan and receivable	Amortised cost
Current asset investments	Fair value through Consolidated Income Statement	Fair value through Consolidated Income Statement
Trade receivables	Loan and receivable	Fair value through Consolidated Statement of Comprehensive Income – debt instrument
Other receivables	Loan and receivable	Amortised cost
Derivatives used in designated hedge relationships	Fair value – hedging instrument	Fair value – hedging instrument
Derivatives not in designated hedge relationships	Fair value through Consolidated Income Statement	Fair value through Consolidated Income Statement
Financial liabilities		
Trade and other payables	Amortised cost	Amortised cost
Borrowings	Amortised cost	Amortised cost
Derivatives used in designated hedge relationships	Fair value – hedging instrument	Fair value – hedging instrument
Derivatives not in designated hedge relationships	Fair value through Consolidated Income Statement	Fair value through Consolidated Income Statement

Impairment
There has been no material adjustment required on transition to IFRS 9 to the loss allowance against financial assets.

Effective for the year ending 31 December 2019
IFRS 16 Leases (IFRS 16)

IFRS 16 will be effective for the accounting period beginning 1 January 2019. The new standard will require that the Group's leased assets are recorded as 'right of use assets' in the balance sheet within Property, plant and equipment with a corresponding lease liability which is based on the present value of the future payments required under each lease.

The Group intends to use the simplified approach to transition, and to utilise various practical expedients in the standard, such as not recognising lease liabilities for leases under 12 months in duration or for leases on assets with a value of under £5,000. In addition, the Group intends to use the practical expedient available and, within its transition adjustment, only consider contracts previously identified as including leases.

The Group intends to take the option to measure the right of use asset at transition at the value of the lease liability, therefore there was no impact on the net asset position of the Group at transition date. The Group's leases primarily relate to office buildings, warehouses and vehicles. As previously noted, the impact of IFRS 16 on the Consolidated Financial Statements will be material.

The existing operating lease expense currently recorded in cost of sales and administrative expenses will be replaced by a depreciation charge which will be presented in cost of sales and administrative expenses and a separate financing expense, which will be recorded in interest expense. For leases previously classified as operating leases, the profile of total expenses recognised over the course of a lease will change and will no longer be on a straight-line basis but rather will be front-loaded to the earlier periods of the lease. This is because the finance expense element will be higher in the earlier periods and reduce as the lease liability is paid down over time.

Net cash flows will not be impacted by the new standard, however, the lease payments will no longer all be presented as operating cash outflows in the Consolidated Cash Flow Statement but rather will be presented as financing cash outflows, split between interest payments and repayment of lease liabilities. This means that cash flows from operating activities will increase but cash flows from financing activities will decrease.

The Group does not currently intend to alter its approach as to whether assets should be leased or bought going forward.

2 Summary of significant accounting policies continued

The substantial majority of the Group's operating lease commitments (some £137.0 million on an undiscounted basis, as shown in note 24 of the Consolidated Financial Statements) will be brought onto the Consolidated Balance Sheet and amortised and depreciated separately.

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 pound sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

2.2. Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Parent Company and its subsidiaries as at 31 December each year. The Financial Statements of subsidiaries are prepared for the same reporting year as the Parent Company, using existing GAAP in each country of operation. Adjustments are made on consolidation for differences that may exist between the respective local GAAPs and IFRS.

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

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the Consolidated Balance Sheet, separately from Parent shareholders' equity.

2.2.1. Foreign currency translation

The Group's presentation currency is pound sterling. Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the Consolidated Balance Sheet date. All differences are taken to the Consolidated Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

The functional currencies of the material overseas subsidiaries are euro (€), US dollar (US$), South African rand (ZAR) and Swiss franc (CHF). As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and their Consolidated Income Statements are translated at the average exchange rates for the year. Exchange differences arising on the retranslation are recognised in the Consolidated Statement of Comprehensive Income. On disposal of a foreign entity, the deferred cumulative amount recognised in the Consolidated Statement of Comprehensive Income relating to that particular foreign operation is recognised in the Consolidated Income Statement.

2.3. Revenue

Revenue is recognised to the extent of the amount which is expected to be received from customers as consideration for the transfer of goods and services to the customer.

In multi-element contracts with customers where more than one good (Technology Sourcing) or service (Professional Services and Managed Services) is provided to the customer, analysis is performed to determine whether the separate promises are distinct performance obligations within the context of the contract. To the extent that this is the case, the transaction price is allocated between the distinct performance obligations based upon relative standalone selling prices. The revenue is then assessed for recognition purposes based upon the nature of the activity and the terms and conditions of the associated customer contract relating to that specific distinct performance obligation.
The following specific recognition criteria must also be met before revenue is recognised:

2.3.1. Technology Sourcing

The Group supplies hardware and software (together as 'goods') to customers that is sourced from and delivered by a number of suppliers.

Technology Sourcing revenue is recognised at a point in time, when control of the goods have passed to the customer, usually on dispatch. Payment for the goods is generally received on industry standard payment terms.

2.3.2 Professional Services

The Group provides skilled professionals to customers either on a 'resource on demand' basis or operating within a project framework.

For those contracts which are 'resource on demand', where the revenue is billed on a timesheet basis, revenue is recognised based on monthly invoiced amounts as this corresponds to the service delivered to the customer and the satisfaction of the Company's performance obligations. For contracts operating within a project framework, revenue is recognised based on the transaction price with reference to the costs incurred as a proportion of the total estimated costs (percentage of completion basis) of the contract. Under either basis, Professional Services revenue is recognised over time.

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 and where the Group has an enforceable right to payment as work is being performed.
A provision for forecast excess costs over forecasted revenue is made as soon as a loss is foreseen (see note 2.13.1 for further detail).

Unbilled Professional Services revenue is classified as a contract asset and is included within accrued income in the Consolidated Balance Sheet. Unearned Professional Services revenue is classified as a contract liability and is included within deferred income in the Consolidated Balance Sheet. Payment for the services, which are invoiced monthly, are generally on industry standard payment terms.

2.3.3 Managed Services
The Group sells maintenance, support and management of customers' IT infrastructures and operations.

Managed Services revenue is recognised over time, throughout the term of the contract, as services are delivered. The specific performance obligations and invoicing conditions in our Managed Services contracts are typically related to the number of calls, interventions or users that we manage and therefore the customer simultaneously receives and consumes the benefits of the services as they are performed. Revenue is recognised based on monthly invoiced amounts as this corresponds to the service delivered to the customer and the satisfaction of the Company's performance obligations.

Unbilled Managed Services revenue is classified as a contract asset and is included within accrued income in the Consolidated Balance Sheet. Unearned Managed Services revenue is classified as a contract liability and 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. Payment for the services is generally on industry standard payment terms.

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 and where the Group has an enforceable right to payment as work is being performed. A provision for forecast excess costs over forecasted revenue is made as soon as a loss is foreseen (see note 2.13.1 for further detail). On occasion, the Group may have a limited number of Managed Services contracts where 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).

Costs of obtaining and fulfilling revenue contracts
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.

When accounting for costs associated with obtaining and fulfilling customer contracts, the Group first considers whether these costs fit within a specific IFRS standard or policy. Any costs associated with obtaining or fulfilling revenue contracts which do not fall into the scope of other IFRS standards or policies are considered under IFRS 15. All such costs are expensed as incurred other than the two types of costs noted below:

1. Win fees – The Group pays 'win fees' to certain employees as bonuses for successfully obtaining customer contracts. As these are incremental costs of obtaining a customer contract, they are capitalised along with any associated payroll tax expense to the extent they are expected to be recovered. These balances are presented within prepayments in the Consolidated Balance Sheet. The win fee balance that will be realised after more than 12 months is disclosed as non-current.

2. Fulfilment costs – The Group often incurs costs upfront relating to the initial set-up phase of outsourcing contract, which the Group refers to as Entry Into Service. These costs do not relate to a distinct performance obligation in the contract, but rather are accounted for as fulfilment costs under IFRS 15 as they are directly related to the future performance on the contract. They are therefore capitalised to the extent that they are expected to be recovered. These balances are presented within prepayments in the Consolidated Balance Sheet.

Both win fees and Entry Into Service costs are amortised on a straight-line basis over the contract term, as this is materially equivalent to the pattern of transfer of services to the customer over the contract term. The amortisation charges on win fees and Entry Into Service costs are recognised in the Consolidated Income Statement within administration expenses and cost of sales, respectively.

Any bid costs incurred by the Group's Central Bid Management Engines are not capitalised or charged to the contract, but instead directly charged to selling, general and administrative expenses as they are incurred. These costs associated with bids are not separately identifiable nor can they be measured reliably as the Group's internal bid team's work across multiple bids at any one time.

2.3.4. Finance income
Income is recognised as interest accrues.

2.3.5. 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 those material items of income and expense as exceptional items 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 Summary of significant accounting policies continued

2.5. Adjusted[1] measures

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, listed below, are important when assessing the underlying financial and operating performance of the Group.

These non-GAAP measures comprise of:

Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, gain or loss on disposal of investment properties, gains or losses related to material acquisitions, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale.

A reconciliation between key adjusted and statutory measures is provided on page 57 of the Group Finance Director's review which details the impact of exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS. Further detail is also provided within note 4, segment information.

2.6. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where an asset does not have independent cash flows, the recoverable amount is assessed for the cash-generating unit (CGU) to which it belongs. Certain other corporate assets are unable to be allocated against specific CGUs. These assets are tested across an aggregation of CGUs that utilise the asset. The recoverable amount is the higher of the fair value less costs to sell and the value-in-use of the asset or CGU. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Consolidated Income Statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. As the Group has no assets carried at revalued amounts, such reversal is recognised in the Consolidated Income Statement.

2.7. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- freehold buildings: 25-50 years
- short leasehold improvements: shorter of seven years and period to expiry of lease
- fixtures and fittings
  - head office: 5-15 years
  - other: shorter of seven years and period to expiry of lease
- office machinery and computer hardware: 2-15 years
- motor vehicles: three years

Freehold land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Consolidated Income Statement in the year the item is derecognised.

2.8. Leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Consolidated Income Statement on a straight-line basis over the lease term.

2.9. Investment property

Investment property is defined as land and/or buildings held by the Group to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in the supply of goods or services or for administrative purposes. The Group recognises any part of an owned (or leased under a finance lease) property that is leased to third parties as investment property, unless it represents an insignificant portion of the property.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, the Group elects to measure investment property at cost less accumulated depreciation and accumulated impairment losses, if any (i.e. applying the same accounting policies (including useful lives) as for property, plant and equipment). The fair values, which reflect the market conditions as at the balance sheet date, are disclosed in note 14.

2.10. Intangible assets

2.10.1. Software and software licences

Software and software licences include computer software that is not integral to a related item of hardware. These assets are stated at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on a straight-line basis over the estimated useful life of the asset. Currently software is amortised over four years.

The carrying values of software and software licences are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.10.2. Software under development

Costs that are incurred and that can be specifically attributed to the development phase of management information systems for internal use are capitalised and amortised over their useful life, once the asset becomes available for use.

2.10.3. Other intangible assets

Intangible assets acquired as part of a business combination are carried initially at fair value. Following initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment in value. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives with charges included in administrative expenses as follows:

- order back log: three months
- existing customer contracts: five years
- existing customer relationships: 10-15 years
- tools and technology: seven years.

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

2.10.4. Goodwill

Business combinations are accounted for under IFRS 3 Business Combinations using the acquisition method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Consolidated Balance Sheet as goodwill and is not amortised. Any goodwill arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related CGU monitored by Management, usually at business Segment level or statutory Company level as the case may be. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the Consolidated Income Statement.

2.11. Inventories

Inventories are carried at the lower of weighted average cost and net realisable value after making allowance for any obsolete or slow-moving items. Costs include those incurred in bringing each product to its present location and condition, on a First-In, First-Out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

2.12. Financial assets

Financial assets are recognised at their fair value, which initially equates to the sum of the consideration given and the directly attributable transaction costs associated with the investment. Subsequently, the financial assets are measured at either amortised cost or fair value depending on their classification under IFRS 9. The Group currently holds only debt instruments. The classification of these debt instruments depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2 Summary of significant accounting policies continued

2.12.1. Trade and other receivables

Trade receivables, which generally have 30- to 90-day credit terms, are initially recognised and carried at their original invoice amount less an allowance for any uncollectable amounts. The Group sometimes uses debt factoring to managing liquidity and, as a result, the business model for Trade receivables is that they are held for the collection of contractual cash flows, which are solely payments of principal and interest, and for selling. As a result, IFRS 9 requires that, subsequent to initial recognition, they are measured at fair value through other comprehensive income (except for the recognition of impairment gains and losses and foreign exchange gains and losses, which are recognised in profit or loss). Given the short lives of the trade receivables, there are generally no material fair value movements between initial recognition and the derecognition of the receivable.

The Group assesses for doubtful debts (impairment) using the expected credit losses model as required by IFRS 9. For trade receivables, the Group applies the simplified approach which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

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. The business model for current asset investments is that they are held for the collection of contractual cash flows, which are not solely payments of principal and interest. As a result, subsequent to initial measurement, current asset investments are measured at fair value with fair value movements recognised in profit and loss.

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. Cash is held for the collection of contractual cash flows which are solely payments of principal and interest and therefore is measured at amortised cost subsequent to initial recognition.

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 is at amortised cost, unless otherwise described 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

A provision for forecast excess costs over forecasted revenue is made as soon as a loss is foreseen.

Management continually monitor the financial performance of contracts, and where there are indicators that a contract could result in a negative margin, 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 (see note 3.1.1 for further detail).

The Group applies IAS 37 in its assessment of whether contracts are considered onerous and in subsequently estimating the provision. An agenda decision published by the IFRS Interpretations Committee outlined that the current wording of IAS 37 allows for two interpretations of what can constitute 'unavoidable' costs when determining whether a contract is onerous. One of the acceptable interpretations noted by the Committee is in line with our current practice, which is to consider costs such as overhead allocations as 'unavoidable'. The matter has been put on the agenda for future discussion at the IFRS Interpretations Committee, with a view to drafting clarifications to IAS 37. Until there is clarity on this matter, we have concluded that our current approach, that 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, remains appropriate.

2.13.2. Restructuring provisions

The Group recognises a 'restructuring' provision when there is a programme planned and controlled by Management that changes materially the scope of the business or the manner in which it is conducted.

Further to the Group's general provision recognition policy, a restructuring provision is only considered when the Group has a detailed formal plan for the restructuring identifying, as a minimum; the business or part of the business concerned; the principal locations affected; the location, function and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken and when the plan will be implemented.

The Group will only recognise a specific restructuring provision once a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Group only includes incremental costs associated directly with the restructuring within the restructuring provisions such as employee termination benefits and consulting fees. The Group specifically excludes from recognition in a restructuring provision any costs associated with ongoing activities such as the costs of training or relocating staff that are redeployed within the business rather than retrenched and costs for employees who continue to be employed in ongoing operations, regardless of the status of these operations post restructure.

2.13.3. Pensions and other post-employment benefits
The Group operates a defined contribution pension scheme available to all UK employees. Contributions are recognised as an expense in the Consolidated Income Statement as they become payable in accordance with the rules of the scheme. There are no material pension schemes within the Group's overseas operations.

The Group has an obligation to make a one-off payment to French employees upon retirement, the Indemnités de Fin de Carrière (IFC).

French employment law requires that a company pays employees a one-time contribution when, and only when, the employee leaves the Company for retirement at the mandatory age. This is a legal requirement for all businesses who incur the obligation upon departure, due to retirement, of an employee.

Typically the retirement benefit is based on length of service of the employee and his or her salary at retirement. The amount is set via a legal minimum but the retirement premiums can be improved by the collective agreement or employment contract in some cases. In Computacenter France, the payment is based on accrued service and ranges from one month of salary after five years of service to 9.4 months of salary after 47 years of service.

If the employee leaves voluntarily at any point before retirement, all liability is extinguished and any accrued service is not transferred to any new employment.

Management continues to account for this obligation according to IAS 19 (revised). Refer to note 32 for full disclosure.

2.14. Derecognition of financial assets and liabilities
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2.15. Derivative financial instruments and hedge accounting
The Group uses foreign currency forward contracts to hedge its foreign currency risks associated with foreign currency fluctuations affecting cash flows from forecasted transactions and unrecognised firm commitments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of both the hedging instrument and, the hedged item or transaction and then the economic relationship between the two, including whether the hedging instrument is expected to offset changes in cash flow of the hedged item. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows. The Group designates the full change in the fair value of the forward contract (including forward points) as the hedging instrument. 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, a highly probable forecast transaction, or the foreign currency risk in an unrecognised firm commitment.

Cash flow hedges that meet the criteria for hedge accounting are accounted for as follows: the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Consolidated Income Statement in administrative expenses.

2 Summary of significant accounting policies continued

Amounts recognised within other comprehensive income are transferred to the Consolidated Income Statement, within administrative expenses, when the hedged transaction affects the Consolidated Income Statement, such as when the hedged financial expense is recognised.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Consolidated Income Statement within administrative expenses. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, any cumulative gain or loss previously recognised within Consolidated Other Comprehensive Income remains within Consolidated Other Comprehensive Income until after the forecast transaction or firm commitment affects the Consolidated Income Statement.

Any other gains or losses arising from changes in fair value on forward contracts are taken directly to administrative expenses in the Consolidated Income Statement.

2.16. Taxation

2.16.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

2.16.2. Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, carried forward tax credits or tax losses, can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Income tax is charged or credited directly to the statement of comprehensive income if it relates to items that are credited or charged to the statement of comprehensive income. Otherwise, income tax is recognised in the Consolidated Income Statement.

2.17. Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model, further details of which are given in note 29. In valuing equity-settled transactions, no account is taken of any performance conditions as none of the conditions set are market-related.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest. The Consolidated Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. As the schemes do not include any market-related performance conditions, no expense is recognised for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 11).

The Group has an employee share trust for the granting of non-transferable options to Executive Directors and senior management. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity (see note 28).

2.18. Fair value measurement

The Group measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarised in note 26.

2.19. Own shares held
Computacenter plc shares held by the Group are classified in shareholders' equity as 'own shares held' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

3 Critical accounting estimates and judgements

The preparation of the Consolidated Financial Statements requires Management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

During the year, Management set aside time to consider the critical accounting estimates and judgements for the Group. This process included reviewing the last reporting period's disclosures, the key judgements required on the implementation of forthcoming standards such as IFRS 16 and the current period's challenging accounting issues. Where Management deemed an area of accounting to be no longer a critical estimate or judgement, an explanation for this decision is found in the relevant accounting notes to the Consolidated Financial Statements.

3.1. Critical estimates
Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1.1. Services revenue recognition and contract provisions
Percentage of completion revenue recognition
On occasion, the Group accounts 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.

Contract provisions
During the year, Management held a number of 'difficult' contracts under review that were considered to be performing below expectation. The number of contracts under review fluctuated during the year between seven and 12 (2017: seven 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 and contract provisions.

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 whether a provision is required and, if so, the best estimate of the provision.

The revenue recognised in the year from these contracts under review was approximately £30.1 million (2017: £53.6 million). The range of potential scenarios considered by management in respect of these specific contracts resulted in a reduction in margins, recognised in 2018 of £13.6 million (2017: £4.0 million), in the year. At 31 December 2018, based on Management's best estimate, there was a provision of £16.4 million (2017: £8.2 million) against future losses with the total costs to complete on these contracts estimated at £76.9 million (2017: £48.0 million).

The key judgements are determining which contracts are considered 'difficult' and estimating the provision from the range of possible outcomes.

3.2. Critical judgements
Judgements made by Management in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Consolidated Financial Statements, are as follows:

3.2.1. Exceptional items
Exceptional items remain a core focus of Management with the recent Alternative Performance Measure regulations providing further guidance in this area.

3 Critical accounting estimates and judgements continued

Management is required to exercise its judgement in the classification of certain items as exceptional and outside of the Group's adjusted[1] 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 are favourable or unfavourable to the underlying result.

To achieve this, Management have considered the materiality, infrequency and nature of the various items classified as exceptional this year against the requirements and guidance provided by IAS 1, our Group accounting policies and the recent regulatory interpretations and guidance.

In reaching their conclusions, Management consider not only the effect on the overall underlying Group performance but also where an item is critical in understanding the performance of its component Segments which is of relevance to investors and analysts when assessing the Group result and its future prospects as a whole.

Further details of the individual exceptional items, and the reasons for their disclosure treatment, are set out in note 6.

3.2.2. Technology Sourcing principal versus agent recognition

Management is required to exercise its judgement in the classification of certain revenue contracts for Technology Sourcing revenue recognition on either an agent or principal basis.

Because the identification of the principal in a contract is not always clear, Management will make a determination by evaluating the nature of our promise to our customer as to whether it is a performance obligation to provide the specified goods or services ourselves, in that we are the principal, or to arrange for those goods or services to be provided by the other party, where we are the agent. We determine whether we are a principal or an agent for each specified good or service promised to the customer by evaluating the nature of our promise to the customer against a non-exhaustive list of indicators that a performance obligation could involve an agency relationship:

- Evaluating who controls each specified good or service before that good or service is transferred to the customer;
- The vendor retains primary responsibility for fulfilling the sale;
- We take no inventory risk before or after the goods have been ordered, during shipping or on return;
- We do not have discretion to establish pricing for the vendor's goods limiting the benefit we can receive from the sale of those goods; and
- Our consideration is in the form of a, usually predetermined, commission.

Management continues to monitor the primary indicators used to assess the 'agent/principal' presentation of our Software and certain Resold Services revenue against our general contractual terms and conditions including detailed analysis of how terms and conditions are applied in practice, the weighting applied to the agent/principal indicators and evaluation of emerging practice. Management has concluded that whilst this remains a finely balanced judgement, no change to the presentation of our Software and certain Resold Services revenues, which contributed £704 million and £278 million to the Group's revenue in 2018 respectively, is required and revenue for these items will continue to be presented gross where the underlying facts and circumstances remain the same. Management continue to monitor the emergence of new methods of transacting business within the traditional vendor to reseller channel.

A new line of business has recently emerged within our Technology Sourcing business where vendors and customers typically approach us with an opportunity where the vendor is taking the contract and performance risks and sets the selling price, using Computacenter as a pass-through agent in the channel to transact the deal for a set fee. To date, these have been primarily large software deals where there is no ongoing obligation of service on us following the transaction. We have no say in the pricing or selection of the product and are merely standing in the sales channel between the vendor and customer for the predetermined fee. Management review the facts and circumstances of these types of deals, case by case, with regards to its specific terms and conditions against the Group's accounting policy to determine whether our performance obligation is to provide the good or service itself, where we are acting as the principal in the deal, or to arrange for another party to provide the good or service, where we are acting as an agent. Based on the facts and circumstances of each deal we have classified several of these deals as agency concluding that the fee received should be booked as net revenue. Such agency deals contributed £3.1 million to revenue during the year.

3.3. Change in critical estimates and critical judgements

During the year, Management reassessed the critical estimates and critical judgements and resolved that no change was needed from last year in critical estimates and critical judgements except for the addition of 3.2.2 above.

4 Segment information

During the first half of the year, Management reviewed the way it reported Segmental performance to the Board and the Chief Executive Officer, who is the Group's Chief Operating Decision Maker ('CODM'), to determine whether it could improve the transparency and understandability of the trading performance of its core Group Operating Model geographies. As a result of this analysis, the Board has decided to adopt a new Segmental reporting structure from the period ended 30 June 2018.

In accordance with IFRS 8 Operating Segments, the Group has identified four revised operating Segments:

- UK;
- Germany;
- France; and
- International.

As the location of the Group's headquarters, the UK entity has also borne an increasing share of corporate costs since the rollout of the Group Operating Model from 2013. Certain expenses such as those for the Board itself, and related public company costs, Group Executive members not aligned to a specific geographic trading entity and the cost of centrally funded strategic corporate initiatives that benefit the whole Group, are not allocated to individual Segments because they are not directly attributable to any single Segment. Accordingly, these expenses are disclosed as a separate column, 'Central Corporate Costs', within the segmental note.

Under the previous Segmental reporting structure, the UK Segment included a number of other operating entities, primarily international Global Service Desk locations. Whilst these entities have limited external revenues, and a cost recovery model that suggests better than breakeven margins to ensure compliance with transfer pricing regulations, this generated unnecessary complexity when presenting the UK results to the Board and the CODM, with the growth in the number and scale of these other operating entities blurring the underlying performance of the core geography over time. The revised UK Segment now only comprises the trading performance of Computacenter UK.

The German Segment has been revised to remove the independently run Computacenter Switzerland operation, including cITius, which has been transferred to the International Segment, leaving the German country trading operations standing alone.

The new International Segment replaces the Belgian Segment and includes the Belgium, Switzerland, USA, FusionStorm, Netherlands and TeamUltra trading operations, along with the international Global Service Desk locations in South Africa, Spain, Hungary, Mexico, Poland, Malaysia, India and China. The International Segment has been created to reflect the Group's ambitions to continue to expand its worldwide footprint. This includes expanding trading operations into new geographic locations, both within our Western European heartland and beyond, and the need to continue to identify talent-rich offshore locations, to ensure that we can remain both cost and resource competitive in the Services marketplace.

The French Segment remains unchanged from that reported at 31 December 2017.

This new Segmental reporting structure is the basis on which internal reports are provided to the Chief Executive Officer, as the CODM, for assessing performance and determining the allocation of resources within the Group. Segmental performance is measured based on external revenues, adjusted[1] gross profit, adjusted[1] operating profit and adjusted[1] profit before tax. The change in Segment reporting has no impact on reported Group numbers.

To enable comparisons with prior year performance, historical Segment information for the year ended 31 December 2017 is restated in accordance with the revised Segmental reporting structure. All discussion within this Annual Report and Accounts on Segmental results reflects this revised structure, the reclassification of Central Corporate Costs and the resultant prior year restatements.

Segmental performance for the years ended 31 December 2018 and 31 December 2017 were as follows:

Year ended 31 December 2018

	UK £'000	Germany £'000	France £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue						
Technology Sourcing revenue	1,155,608	1,330,616	393,769	297,588	–	**3,177,581**
Services revenue						
Professional Services revenue	116,440	166,471	18,914	20,090	–	**321,915**
Managed Services revenue	333,829	375,591	80,568	63,086	–	**853,074**
Total Services revenue	450,269	542,062	99,482	83,176	–	**1,174,989**
Total revenue	1,605,877	1,872,678	493,251	380,764	–	**4,352,570**
Results						
Adjusted[1] gross profit	203,507	231,191	55,655	57,905	–	**548,258**
Adjusted[1] administrative expenses	(145,856)	(164,332)	(48,601)	(45,515)	(25,188)	**(429,492)**
Adjusted[1] operating profit/(loss)	57,651	66,859	7,054	12,390	(25,188)	**118,766**
Adjusted[1] net interest	141	45	(162)	(554)	–	**(530)**
Adjusted[1] profit/(loss) before tax	57,792	66,904	6,892	11,836	(25,188)	**118,236**
Exceptional items:						
– interest cost relating to acquisition of a subsidiary						**(417)**
– costs relating to acquisition of a subsidiary						**(5,240)**
– gain on disposal of an investment property						**–**
Total exceptional items						**(5,657)**
Amortisation of acquired intangibles						**(4,451)**
Statutory profit before tax						**108,128**

4 Segment information continued

The reconciliation for adjusted[1] operating profit to statutory operating profit as disclosed in the Consolidated Income Statement is as follows:

Year ended 31 December 2018

	Total £'000
Adjusted[1] operating profit	**118,766**
Add back interest on CSF	**293**
Amortisation of acquired intangibles	**(4,451)**
Exceptional items	**(5,240)**
Statutory operating profit	**109,368**

	UK £'000	Germany £'000	France £'000	International £'000	Central Corporate Costs £'000	Total £'000
Other Segment information						
Property, plant and equipment	41,532	50,558	5,612	8,565	–	**106,267**
Investment property	–	–	–	–	–	**–**
Intangible assets	21,057	18,444	148	144,964	–	**184,613**
Capital expenditure:						
Property, plant and equipment	12,079	30,408	867	2,088	–	**45,442**
Software	4,870	730	166	169	–	**5,935**
Depreciation of property, plant and equipment	7,893	7,287	1,630	2,570	–	**19,380**
Depreciation of investment property	–	–	–	–	–	**–**
Amortisation of software	9,449	1,275	50	203	–	**10,977**
Share-based payments	5,035	1,334	56	–	–	**6,425**

Year ended 31 December 2017 – restated

	UK £'000	Germany £'000	France £'000	International £'000	Central Corporate Costs £'000	Total £'000
Revenue						
Technology Sourcing revenue	986,677	1,200,871	405,139	43,507	–	**2,636,194**
Services revenue						
Professional Services revenue	141,507	151,306	18,120	8,223	–	**319,156**
Managed Services revenue	335,145	362,481	86,684	53,711	–	**838,021**
Total Services revenue	476,652	513,787	104,804	61,934	–	**1,157,177**
Total revenue	1,463,329	1,714,658	509,943	105,441	–	**3,793,371**
Results						
Adjusted[1] gross profit	196,170	214,743	53,539	31,618	–	**496,070**
Adjusted[1] administrative expenses	(144,632)	(156,489)	(47,931)	(22,530)	(19,001)	**(390,583)**
Adjusted[1] operating profit/(loss)	51,538	58,254	5,608	9,088	(19,001)	**105,487**
Adjusted[1] net interest	607	472	(193)	(144)	–	**742**
Adjusted[1] profit before tax	52,145	58,726	5,415	8,944	(19,001)	**106,229**
Exceptional items:						
– onerous contracts provision for future losses						**1,371**
Total exceptional items						**1,371**
Gain on disposal of an investment property						**4,320**
Amortisation of acquired intangibles						**(225)**
Statutory profit before tax						**111,695**

The reconciliation for adjusted[1] operating profit to statutory operating profit as disclosed in the Consolidated Income Statement is as follows:

Year ended 31 December 2017

	Total £'000
Adjusted[1] operating profit	**105,487**
Add back interest on CSF	**159**
Amortisation of acquired intangibles	**(225)**
Exceptional items	**1,371**
Statutory operating profit	**106,792**

	UK £'000	Germany £'000	France £'000	International £'000	Central Corporate Costs £'000	Total £'000
Other Segment information						
Property, plant and equipment	37,404	26,849	6,262	7,389	–	**77,904**
Investment property	–	–	–	–	–	**–**
Intangible assets	25,645	18,850	28	35,812	–	**80,335**
Capital expenditure:						
Property, plant and equipment	8,976	18,432	960	2,071	–	**30,439**
Software	8,460	1,109	9	40	–	**9,618**
Depreciation of property, plant and equipment	6,097	6,426	1,736	2,125	–	**16,384**
Depreciation of investment property	–	–	–	91	–	**91**
Amortisation of software	10,873	1,088	21	255	–	**12,237**
Share-based payments	5,068	1,211	(79)	–	–	**6,200**

Information about major customers
Included in revenues arising from the UK Segment are revenues of approximately £277 million (2017: £288 million) which arose from sales to the Group's largest customer. For the purpose of this disclosure, a single customer is considered to be a group of entities known to be under common control. This customer consists of entities under control of the UK Government.

Contract balances
The following table provides the information about contract assets and contract liabilities from contracts with customers.

	Note	31 December 2018 £'000	1 January 2018* £'000
Contract assets, which are included in 'trade and other receivables'	19	**1,180,394**	**835,446**
Contract assets, which are included in 'prepayments'		**6,451**	**7,926**
Contract assets, which are included in 'accrued income'		**101,899**	**102,922**
Contract liabilities, which are included in 'deferred income'		**143,080**	**113,875**

*the balances in this column are subsequent to adjustments recorded on implementation of IFRS 15 on 1 January 2018.

Significant changes in contract assets and liabilities
Contract assets are balances due from customers under long-term contracts as work is performed and therefore a contract asset is recognised over the period in which the performance obligation is fulfilled. This represents the Group's right to consideration for the services transferred to date. Amounts are generally reclassified to contract receivables when these have been certified or invoiced to a customer.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £79.3 million. Revenue recognised in the reporting period from performance obligations satisfied or partially satisfied in previous periods was £nil. Partially satisfied performance obligations continue to incur revenue and costs in the period.

4 Segment information continued

Remaining performance obligations (Work in hand)

Contracts which have remaining performance obligations as at 31 December 2018 are set out in the table below. The table below discloses the aggregate transaction price relating to those unsatisfied or partially unsatisfied performance obligations, excluding both (a) amounts relating to contracts for which revenue is recognised as invoiced and (b) amounts relating to contracts where the expected duration of the ongoing performance obligation is one year or less. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to remaining performance obligations as of 31 December 2017 is not disclosed.

	FY2019 £m	FY2020 £m	FY2021 £m	FY2022 £m	FY2023 and beyond £m	Total £m
Managed Services	**613**	**323**	**216**	**146**	**48**	**1,346**

The average duration of contracts is between one to five years, however some contracts will vary from these typical lengths. Revenue is typically earned over these varying timeframes, however more of the revenue noted above is expected to be earned in the short term.

5 Group operating profit

This is stated after charging/(crediting):

	2018 £'000	2017 £'000
Auditor's remuneration:		
– Audit of the Financial Statements	**50**	44
– Audit of subsidiaries	**722**	559
Total audit fees	**772**	603
Audit-related assurance services	**50**	55
Taxation compliance services	**9**	19
Other assurance services	**17**	10
Taxation advisory services	**–**	13
Other non-audit services	**132**	200
Total non-audit services	**208**	297
Total fees	**980**	900

The other non-audit services of £0.1 million (2017: £0.2 million) during the year, relates to the financial due diligence conducted by KPMG LLP in connection with the acquisition of FusionStorm.

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment	**19,380**	16,384
Loss/(gain) on disposal of property, plant and equipment	**177**	(535)
Depreciation of investment property	**–**	91
Gain on disposal of an investment property	**–**	(4,320)
Amortisation of software	**10,977**	12,020
Loss/(gain) on disposal of software	**164**	(688)
Amortisation of acquired intangible assets	**4,451**	217
(Gain)/loss on net foreign currency differences	**(2,209)**	1,565
Costs of inventories recognised as an expense	**2,852,157**	2,362,861
Operating lease payments	**39,764**	34,469

6 Exceptional items

	2018 £'000	2017 £'000
Operating profit		
Onerous contracts	–	1,371
Costs relating to acquisition of a subsidiary	**(5,240)**	–
	(5,240)	1,371
Interest cost relating to acquisition of a subsidiary	**(417)**	–
Gain on disposal of an investment property	–	4,320
(Loss)/gain on exceptional items before taxation	**(5,657)**	5,691
Income tax		
Tax on onerous contracts included in operating profit	–	(351)
Tax on exceptional items	**1,353**	–
Tax relating to acquisition of a subsidiary	**3,091**	–
(Loss)/gain on exceptional items after taxation	**(1,213)**	5,340

2018: Included within the current year are the following exceptional items:

- An exceptional loss during the year of £5.2 million resulted from costs directly relating to the acquisition of FusionStorm. These costs include a severance payment for the FusionStorm Chief Executive Officer, agreed as part of the acquisition, advisor fees and a finder's fee that was paid on completion of the transaction. These costs are non-operational in nature, material in size and unlikely to recur and have therefore been classified as outside our adjusted[1] results. A further £0.4 million relating to the unwinding of the discount on the deferred consideration for the purchase of FusionStorm has been removed from the adjusted[1] net finance expense and classified as exceptional interest costs.
- A credit of £1.4 million arising from the tax benefit on the FusionStorm exceptional acquisition costs has been recognised as tax on the above exceptional items. A further tax credit of £3.1 million was recorded due to post-acquisition activity in FusionStorm, related to the transaction, which has resulted in a material in-year tax benefit. This activity included settlement of phantom stock awards, deal bonus and change of control payments which were settled by the vendor, out of the consideration paid, via post-acquisition capital contributions to FusionStorm. As this credit was related to the acquisition and not operational activity within FusionStorm, is of a one-off nature and material to the overall tax result, it was classified this as an exceptional tax item.

2017: Included within the prior year are the following exceptional items:

- The remaining provisions for the last two onerous contracts in Germany were released, for an exceptional gain of £1.4 million. These provisions were originally booked in 2013 and the contracts have now returned to profitability, so the provisions are no longer required. As these provisions were booked as exceptional items, this release has also been classified as such.
- The disposal of an investment property in Braintree, Essex, was completed on 26 May 2017 for £14.5 million. This property was associated with a former subsidiary of the Group, R.D. Trading Limited, which was itself sold in February 2015. Due to the size and non-operational nature of the transaction, the £4.3 million gain on disposal, net of £0.2 million disposal costs, has been classified as exceptional.

7 Staff costs

The average monthly number of employees (including Executive Directors) during the year was made up as follows:

	2018 No.	2017 No.
UK	**4,125**	4,210
Germany	**6,124**	5,607
France	**1,528**	1,557
International	**3,340**	2,652
	15,117	14,026

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	**735,234**	652,988
Social security costs	**110,758**	102,121
Share-based payments	**6,425**	6,200
Pension costs	**24,667**	23,186
	877,084	784,495

Share-based payments arise from transactions accounted for as equity-settled share-based payment transactions.

8 Finance income

	2018 £'000	2017 £'000
Bank interest receivable	**792**	854
Other interest received	**458**	667
	1,250	1,521

9 Finance costs

	2018 £'000	2017 £'000
Bank loans and overdrafts	**756**	355
Finance charges payable on CSF	**293**	159
Other interest	**1,441**	424
	2,490	938

10 Income tax

a) Tax on profit from ordinary activities

	2018 £'000	2017 £'000
Tax charged in the Consolidated Income Statement		
Current income tax		
UK corporation tax	**12,528**	11,995
Foreign tax		
– operating results before exceptional items	**20,942**	14,661
– exceptional items	**(4,444)**	351
Total foreign tax	**29,026**	15,012
Adjustments in respect of prior years	**148**	–
Total current income tax	**29,174**	27,007
Deferred tax		
Operating results before exceptional items:		
– origination and reversal of temporary differences	**(1,830)**	3,374
– adjustments in respect of prior years	**(145)**	–
Total deferred tax	**(1,975)**	3,374
Tax charge in the Consolidated Income Statement	**27,199**	30,381

b) Reconciliation of the total tax charge

	2018 £'000	2017 £'000
Accounting profit before income tax	**108,128**	111,695
At the UK standard rate of corporation tax of 19 per cent (2017: 19.25 per cent)	**20,544**	21,501
Expenses not deductible for tax purposes	**987**	675
Non-deductible element of share-based payment charge	**589**	1,297
Adjustments in respect of current income tax of previous years	**(384)**	(58)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**6,736**	7,050
Other differences	**(334)**	(683)
Overseas tax not based on earnings	**1,390**	1,526
Tax effect of income not taxable in determining taxable profit	**(2,427)**	(832)
Deferred tax not recognised on current year losses	**98**	(95)
At effective income tax rate of 25.2 per cent (2017: 27.2 per cent)	**27,199**	30,381

c) Tax losses

Deferred tax assets of £4.2 million (2017: £2.7 million) have been recognised in respect of losses carried forward.

In addition, at 31 December 2018, there were unused tax losses across the Group of £152.6 million (2017: £152.0 million) for which no deferred tax asset has been recognised. Of these losses, £40.1 million (2017: £40.9 million) arise in Germany and £112.5 million (2017: £111.1 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.

10 Income tax continued

d) Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated Balance Sheet		Consolidated Income Statement and Consolidated Statement of Comprehensive Income	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Deferred income tax liabilities				
Revaluations of foreign exchange contracts to fair value	**738**	1,293	**(555)**	194
Amortisation of intangibles	**16,727**	506	**(1,196)**	(49)
Gross deferred income tax liabilities	**17,465**	1,799		
Deferred income tax assets				
Relief on share option gains	**4,868**	2,868	**(2,000)**	(1,072)
Other temporary differences	**4,887**	4,192	**(277)**	1,164
Revaluations of foreign exchange contracts to fair value	**121**	659	**119**	(157)
Losses available for offset against future taxable income	**4,167**	2,666	**1,934**	3,294
Gross deferred income tax assets	**14,043**	10,385		
Deferred income tax charge			**(1,975)**	3,374
Net deferred income tax assets	**(3,422)**	8,586		

Disclosed on the Consolidated Balance Sheet		
Deferred income tax assets	**9,587**	9,063
Deferred income tax liabilities	**(13,009)**	(477)
Net deferred income tax (liabilities)/assets	**(3,422)**	8,586

At 31 December 2018, there was no recognised or unrecognised deferred income tax liability (2017: £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 continue to be covered by relevant dividend exemptions. Where, following the departure of the UK from the European Union, the Group's European subsidiaries' unremitted earnings are no longer covered by a dividend exemption, appropriate mitigating steps are envisaged that would eliminate the incidence of withholding tax.

e) Impact of rate change

The main rate of UK Corporation tax is 19 per cent from 1 April 2017 and will be reduced to 17 per cent from 1 April 2020, as enacted in the Finance Act 2015. The deferred tax in these Consolidated Financial Statements reflects this.

11 Earnings per share

Earnings per share 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.

	2018 £'000	2017 £'000
Profit attributable to equity holders of the Parent	**80,931**	81,314

	2018 £'000	2017 £'000
Basic weighted average number of shares (excluding own shares held)	**113,409**	120,766
Effect of dilution:		
Share options	**1,984**	1,471
Diluted weighted average number of shares	**115,393**	122,237

	2018 pence	2017 pence
Basic earnings per share	**71.4**	67.3
Diluted earnings per share	**70.1**	66.5

12 Dividends paid and proposed

	2018 £'000	2017 £'000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2017: 18.7 pence (2016: 15 pence)	**21,075**	18,151
Interim dividend for 2018: 8.7 pence (2017: 7.4 pence)	**9,805**	8,961
	30,880	27,112
Proposed (not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2018: 21.6 pence (2017: 18.7 pence)	**24,654**	21,344

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 2017	66,799	27,723	135,558	230,080
Relating to acquisition of subsidiaries	–	19	282	301
Additions	10,449	1,695	18,295	30,439
Disposals	–	(532)	(22,829)	(23,361)
Foreign currency adjustment	236	564	1,889	2,689
At 31 December 2017	77,484	29,469	133,195	240,148
Relating to acquisition of subsidiaries (note 17)	**–**	**1,859**	**6,480**	**8,339**
Additions	**8,604**	**6,243**	**30,595**	**45,442**
Disposals	**(989)**	**(15,798)**	**(33,290)**	**(50,077)**
Foreign currency adjustment	**358**	**329**	**1,408**	**2,095**
At 31 December 2018	**85,457**	**22,102**	**138,388**	**245,947**
Accumulated depreciation and impairment				
At 1 January 2017	38,919	18,177	109,964	167,060
Relating to acquisition of subsidiaries	–	–	20	20
Provided during the year	1,507	1,980	12,897	16,384
Disposals	–	(532)	(22,436)	(22,968)
Foreign currency adjustment	16	538	1,194	1,748
At 31 December 2017	40,442	20,163	101,639	162,244
Relating to acquisition of subsidiaries (note 17)	**–**	**1,255**	**1,771**	**3,026**
Provided during the year	**1,509**	**2,215**	**15,656**	**19,380**
Disposals	**(989)**	**(15,732)**	**(29,233)**	**(45,954)**
Foreign currency adjustment	**10**	**119**	**855**	**984**
At 31 December 2018	**40,972**	**8,020**	**90,688**	**139,680**
Net book value				
At 31 December 2018	**44,485**	**14,082**	**47,700**	**106,267**
At 31 December 2017	37,042	9,306	31,556	77,904
At 1 January 2017	27,880	9,546	25,594	63,020

13 Property, plant and equipment continued

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	
	2018 £'000	2017 £'000
Cost		
At 1 January	**18,117**	30,234
Additions	**7,196**	3,127
Disposals	**(10,316)**	(15,430)
Foreign currency adjustment	**351**	186
At 31 December	**15,348**	18,117
Accumulated depreciation and impairment		
At 1 January	**13,490**	26,608
Provided during the year	**3,175**	2,250
Disposals	**(10,316)**	(15,430)
Foreign currency adjustment	**232**	62
At 31 December	**6,581**	13,490
Net book value	**8,767**	4,627

14 Investment property

	2018 £'000	2017 £'000
Cost		
At 1 January	**–**	11,167
Disposals	**–**	(11,167)
At 31 December	**–**	–
Accumulated depreciation		
At 1 January	**–**	1,134
Provided during the year	**–**	91
Disposals	**–**	(1,225)
At 31 December	**–**	–
Net book value	**–**	–

On 26 May 2017, the Group disposed its only investment property for £14.5 million. The property was in Braintree, Essex, and was owned by Digica Group Finance Limited (a fully-owned subsidiary of the Group). A gain of £4.3 million was recorded on disposal, net of £0.2 million of disposal costs.

15 Intangible assets

	Goodwill £'000	Software £'000	Acquired intangible assets: Customer relationship £'000	Acquired intangible assets: Others £'000	Total £'000
Cost					
At 1 January 2017	58,722	95,449	–	20,103	174,274
Relating to acquisition of subsidiaries	6,727	123	–	–	6,850
Additions	–	9,618	–	–	9,618
Disposals	–	(3,243)	–	–	(3,243)
Foreign currency adjustment	796	329	–	37	1,162
At 31 December 2017	66,245	102,276	–	20,140	188,661
Relating to acquisition of subsidiaries (note 17)	**45,704**	**1,057**	**61,090**	**3,070**	**110,921**
Additions	**–**	**5,935**	**–**	**–**	**5,935**
Disposals	**–**	**(9,354)**	**–**	**(1,315)**	**(10,669)**
Foreign currency adjustment	**1,948**	**173**	**1,935**	**691**	**4,747**
At 31 December 2018	**113,897**	**100,087**	**63,025**	**22,586**	**299,595**
Accumulated amortisation and impairment					
At 1 January 2017	10,445	68,446	–	19,098	97,989
Provided during the year	–	12,020	–	217	12,237
Disposals	–	(2,551)	–	–	(2,551)
Foreign currency adjustment	371	241	–	39	651
At 31 December 2017	10,816	78,156	–	19,354	108,326
Relating to acquisition of subsidiaries (note 17)	**–**	**890**	**–**	**–**	**890**
Provided during the year	**–**	**10,977**	**1,049**	**3,402**	**15,428**
Disposals	**–**	**(9,190)**	**–**	**(1,315)**	**(10,505)**
Foreign currency adjustment	**166**	**136**	**293**	**248**	**843**
At 31 December 2018	**10,982**	**80,969**	**1,342**	**21,689**	**114,982**
Net book value					
At 31 December 2018	**102,915**	**19,118**	**61,683**	**897**	**184,613**
At 31 December 2017	55,429	24,120	–	786	80,335
At 1 January 2017	48,277	27,003	–	1,005	76,285

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
- cITius AG
- Computacenter Belgium
- TeamUltra Limited
- FusionStorm
- Computacenter Netherlands (formerly Misco Solutions B.V.)

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.

16 Impairment testing of goodwill, other intangible assets and other non-current assets continued

Movements in goodwill

	Computacenter (UK) Limited £'000	TeamUltra Limited £'000	Computacenter Germany £'000	Computacenter France £'000	Computacenter AG £'000	cITius AG £'000	Computacenter Belgium £'000	Fusion -Storm £'000	Computacenter Netherlands £'000	Total £'000
1 January 2017	30,429	–	15,425	–	1,068	–	1,355	–	–	48,277
Relating to acquisition of subsidiaries	–	4,620	–	–	–	2,107	–	–	–	6,727
Foreign currency adjustment	–	–	481	–	(52)	(115)	111	–	–	425
31 December 2017	30,429	4,620	15,906	–	1,016	1,992	1,466	–	–	55,429
Relating to acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**42,415**	**3,289**	**45,704**
Foreign currency adjustment	**–**	**–**	**244**	**–**	**53**	**104**	**90**	**1,276**	**15**	**1,782**
31 December 2018	**30,429**	**4,620**	**16,150**	**–**	**1,069**	**2,096**	**1,556**	**43,691**	**3,304**	**102,915**
Market growth rate	1.7%	1.7%	1.0%	1.5%	1.5%	1.5%	1.5%	2.0%	1.3%	
Discount rate	11.0%	11.0%	11.0%	12.0%	12.0%	12.0%	15.0%	12.0%	12.0%	

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 2.0 per cent (2017: between 1.5 and 2.5 per cent) thereafter.

Key assumptions used in the value-in-use calculation for all CGUs for 31 December 2018 and 31 December 2017 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 (2017: 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 acquired intangible assets
Other acquired intangible assets consist of order back log and tools and technology. The expected useful lives are shown in note 2.

Other non-current assets
When there is an indication of impairment within a CGU, the carrying value of the non-current assets are compared to their recoverable amount which is the higher of the assets' fair value less costs of disposal or the value-in-use of the CGU calculated as described above.

17 Investments

a) Investment in associate

The following table illustrates summarised information of the investment in associates:

	2018 £'000	2017 £'000
Cost		
At 1 January	**605**	604
Exchange rate movement	**1**	1
At 31 December	**606**	605

	2018 £'000	2017 £'000
Impairment		
At 1 January and 31 December	**(549)**	(549)
Carrying value	**57**	56

Gonicus GmbH
The Group has a 20 per cent (2017: 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 (2017: 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:

			Proportion of voting rights and shares held	
Name	**Country of incorporation**	**Nature of business**	**2018**	**2017**
Computacenter NV/SA	Belgium[1]	IT infrastructure services	**100%[vi]**	100%[vi]
FusionStorm Beijing VAR Company Limited	China[2]	IT infrastructure services	**100%[v]**	–
FusionStorm Hong Kong Limited	Hong Kong[3]	IT infrastructure services	**100%[v]**	–
Computacenter (UK) Limited	England[4]	IT infrastructure services	**100%**	100%
TeamUltra Limited	England[4]	IT infrastructure services	**100%[i]**	100%[i]
Computacenter France SAS	France[5]	IT infrastructure services	**100%**	100%
Computacenter AG & Co oHG	Germany[6]	IT infrastructure services	**100%**	100%
Computacenter Aktiengesellschaft	Germany[7]	IT infrastructure services	**100%**	100%
Computacenter Management GmbH	Germany[7]	IT infrastructure services	**100%**	100%
Computacenter Managed Services GmbH	Germany[7]	IT infrastructure services	**100%**	100%
Computacenter Holding GmbH	Germany[8]	IT infrastructure services	**100%**	100%
Computacenter Germany AG & Co oHG	Germany[8]	IT infrastructure services	**100%[ii]**	100%[ii]
E'ZWO Computervertriebs	Germany[8]	IT infrastructure services	**99.05%[ii]**	99.05%[ii]
Alfatron GmbH Elektronik – Vertrieb	Germany[8]	IT infrastructure services	**100%[ii]**	100%[ii]
C'NARIO Informationsprodukte Vertriebs-GmbH	Germany[8]	IT infrastructure services	**100%[ii]**	100%[ii]
FusionStorm Netherlands, B.V.	Netherlands[9]	IT infrastructure services	**100%[v]**	–
Computacenter NV	Netherlands[10]	IT infrastructure services	**100%**	100%
Computacenter BV	Netherlands[11]	IT infrastructure services	**100%**	–
Computacenter Services and Solutions (Pty) Limited	South Africa[12]	IT infrastructure services	**100%[i]**	100%[i]
Computacenter AG	Switzerland[13]	IT infrastructure services	**100%**	100%
cITius AG	Switzerland[14]	IT infrastructure services	**100%[iii]**	100%[iii]
fusionstorm	USA[15]	IT infrastructure services	**100%[v]**	–
FusionStorm Acquisition Corp.	USA[15]	IT infrastructure services	**100%[v]**	–
FusionStorm International Inc.	USA[15]	IT infrastructure services	**100%[v]**	–
Computacenter (U.S.) Inc.	USA[16]	IT infrastructure services	**100%**	100%[i]
Digica Group Finance Limited	England[4]	Investment property	**100%[i]**	100%[i]
Computacenter Immobilien GmbH	Germany[6]	Investment property	**100%**	100%
Computacenter Information Technology (Shanghai) Company Limited	China[17]	International call centre services	**100%[i]**	100%[i]
Computacenter Services Kft	Hungary[18]	International call centre Services	**100%[i]**	100%[i]
Computacenter India Private Limited	India[19]	International call centre services	**100%[viii]**	100%[viii]
Computacenter Services (Malaysia) Sdn Bhd	Malaysia[20]	International call centre services	**100%[i]**	100%[i]
Computacenter México S.A. de C.V.	Mexico[21]	International call centre services	**100%[viii]**	100%[viii]
Computacenter Poland Sp. z o.o.	Poland[22]	International call centre services	**100%[vii]**	–

17 Investments continued

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held 2018	2017
Computacenter Services (Iberia) SLU	Spain[23]	International call centre services	**100%**[i]	100%[i]
FusionStorm Netherlands Cooperatief	Netherlands[24]	Financial holdings	**100%**[v]	–
Computacenter Trustees Limited	England[4]	Employee share scheme trustees	**100%**[i]	100%[i]
Computacenter Quest Trustees Limited	England[4]	Employee share scheme trustees	**100%**[i]	100%[i]
Allnet Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Amazon Computers Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Amazon Energy Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Amazon Systems Limited	England[4]	Dormant company	**100%**[i]	100%[i]
CAD Systems Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Compufix Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter (FMS) Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter (Management Services) Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter (Mid-Market) Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Consumables Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Distribution Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Leasing Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Maintenance Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Overseas Holdings Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Services Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Software Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Solutions Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computacenter Training Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computadata Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Computer Services Group Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Digica (FMS) Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Digica Group Holdings Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Digica Group Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Digica Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Digica SMP Limited	England[4]	Dormant company	**100%**[i]	100%[i]
ICG Services Limited	England[4]	Dormant company	**100%**[i]	100%[i]
M Services Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Merchant Business Systems Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Merchant Systems Limited	England[4]	Dormant company	**100%**[i]	100%[i]
Logival (SARL)	France[5]	Dormant company	**100%**[iv]	100%[iv]
Computacenter (US) Defense Inc.	USA[25]	Dormant company	**100%**[v]	100%[v]

i Includes indirect holdings of 100 per cent via Computacenter (UK) Limited.
ii Includes indirect holdings of 100 per cent via Computacenter Holding GmbH, excludes E'ZWO Computervertriebs which is 99.05 per cent.
iii Includes indirect holdings of 100 per cent via Computacenter AG.
iv Includes indirect holdings of 100 per cent via Computacenter France SAS.
v Includes indirect holdings of 100 per cent via Computacenter (U.S.) Inc.
vi Includes indirect holdings of 1 per cent via Computacenter (UK) Limited.
vii Includes indirect holdings of 99 per cent via Computacenter (UK) Limited.
viii Includes indirect holdings of 99.99 per cent via Computacenter (UK) Limited.

1 Ikaroslaan 31, B-1930 Zaventem
2 2/F, Building 6, Tian Tan East Road 31, Dongcheng District, Beijing City
3 3806 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
4 Hatfield Avenue, Hatfield, Hertfordshire AL10 9TW
5 Agence de Roissy, 229 rue de la Belle Étoile, ZI Paris Nord II, BP 52387, 95943 Roissy CDG Cedex
6 Computacenter Park 1, 50170 Kerpen, Germany
7 Kattenbug 2, 50667 Köln
8 Werner-Eckert-Str. 16-18, 81829 München
9 Prins Bernhardplein 200, 1097JB Amsterdam
10 Beech Avenue 54-80 1119 PW Schiphol-Rjik
11 Gondel 1, 1186 MJ Amstelveen, Netherlands
12 Building 1, Parc du Cap, Mispel Road, Bellville, 7535, Cape Town
13 Riedstrasse 14, CH-8953 Dietikon
14 Giessereistrasse 4, CH-8620 Wetzikon
15 124 Grove Street, Suite 311, Franklin, MA 02038
16 50 Tice Blvd, Suite 340, Woodcliff Lake, NJ 07677
17 Unit 229, Block 2, Building 1, Huanhu West 2nd Road no. 888 Nanhui New Town, Putong District, Shanghai
18 Haller Gardens, Building D. 1st Floor, Soroksári út 30-34, Budapest 1095
19 No. 3093, 6A Main, 13th Cross, HAL 2nd Stage, Indiranagar, Bangalore, 560008
20 Level 9, Tower 1, Puchong Financial Corporate Centre, Jalan Puteri 1/2, Bandar Puteri, 47100 Puchong, Selangor Darul Ehsan
21 Av. Paseo de la Reforma, No. 412 floor 5, Col. Juárez, Delegación Cuauhtémoc, CP06600, México City
22 Ul. Glogowska 31/33, 60-702, Poznań, Poland
23 Carrer de Sancho De Avila 52-58, 08018, Barcelona
24 Prins Bernhardplein 200, 1097JB, Amsterdam
25 250 Pehle Avenue, Suite 311 Plaza One, Saddle Brook

Computacenter plc is the ultimate Parent entity of the Group.

FusionStorm

On 1 October 2018, the Group acquired 100 per cent of the voting shares of FusionStorm for an initial consideration of $69.3 million and agreed to a maximum undiscounted contingent consideration of $20.0 million, dependent upon the achievement of agreed performance criteria over the next two and a half years from the date of acquisition. The acquisition-related costs amounted to $2.6 million and are included in the Consolidated Income Statement. FusionStorm is based in the United States of America and is an IT product provider. The acquisition has been accounted for using the purchase method of accounting.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Provisional fair value to the Group £'000
Intangible assets	**66,192**
Property, plant and equipment	**5,053**
Inventories	**47,378**
Trade and other receivables	**95,790**
Cash and short-term deposits	**5,130**
Prepayments	**3,102**
Deferred tax assets	**4,237**
Trade and other payables	**(161,649)**
Deferred tax liabilities	**(20,622)**
Loans and borrowings	**(18,916)**
Net assets acquired	**25,695**
Goodwill arising on acquisition	**43,757**
	69,452
Discharged by:	
Cash paid on acquisition	**54,882**
Contingent consideration	**14,570**
	69,452
Cash and cash equivalents acquired	
Cash and short-term deposits	**(5,130)**
Cash outflow on acquisition	**49,752**

The initial accounting for the acquisition of FusionStorm has only been provisionally determined at the date of finalisation of these Consolidated Financial Statements based on Management's best estimates.

Included in the £43.8 million of goodwill that arose on acquisition are certain intangible assets that cannot be individually separated and reliably measured under IFRS 3 Business Combination from the acquiree due to their nature. These mainly include a footprint from which to grow in the US and skillset of the workforce.

From the date of acquisition to 31 December 2018, FusionStorm contributed £246.0 million to the Group's revenue and a loss of £0.04 million to the Group's profit after tax.

Contingent consideration

Based on the performance of the business in FY2018 and the forecasted performance for FY2019, Management's assessment is that it is highly probable that the maximum contingent consideration will become payable and accordingly the discounted maximum contingent consideration has been included in the provisional fair value to the Group.

Management concluded that the contingent consideration was actually consideration and not remuneration on the basis that individuals who were selling shareholders due the consideration were not required to remain in employment post-acquisition.

17 Investments continued

Computacenter Netherlands

On 1 September 2018, the Group acquired 100 per cent of the voting shares of Computacenter Netherlands for a total consideration of €7.0 million. The acquisition-related costs amounted to €161,000 and are included in the Consolidated Income Statement. Due to the size of the balance, the acquisition cost is not treated as an exceptional item. Computacenter Netherlands is based in the Netherlands and is an IT service provider. The acquisition has been accounted for using the purchase method of accounting.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

	Provisional fair value to the Group £'000
Property, plant and equipment	**547**
Inventories	**5,221**
Trade and other receivables	**8,489**
Prepayments	**305**
Cash and short-term deposits	**71**
Trade and other payables	**(7,967)**
Financial liabilities	**(3,666)**
Net assets acquired	**3,000**
Goodwill arising on acquisition	**3,289**
	6,289

Discharged by:	
Cash paid on acquisition	**6,289**
Cash and cash equivalents acquired	
Cash and short-term deposits	**(71)**
Cash outflow on acquisition	**6,218**

The initial accounting for the acquisition of Computacenter Netherlands has only been provisionally determined at the date of finalisation of these Consolidated Financial Statements based on Management's best estimates.

Included in the £3.3 million of goodwill that arose on acquisition are certain intangible assets that cannot be individually separated and reliably measured under IFRS 3 Business Combination from the acquiree due to their nature. These items include the expected value of synergies, a footprint from which to grow in the Netherlands and an assembled workforce. These intangible assets are not considered material to the Consolidated Financial Statements.

From the date of acquisition to 31 December 2018, Computacenter Netherlands contributed £24.9 million to the Group's revenue and a loss of £0.2 million to the Group's profit after tax.

If the acquisition of FusionStorm and Computacenter Netherlands were completed on 1 January 2018, the Group's revenue for the year would have been £4,965.0 million and the Group's profit after tax would have been £84.3 million.

18 Inventories

	2018 £'000	2017 £'000
Inventories for re-sale	**99,524**	69,289

19 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	**1,128,456**	808,037
Other receivables	**51,938**	27,409
	1,180,394	835,446

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:

	2018 £'000	2017 £'000
At 1 January	**12,480**	12,315
Charge for the year	**14,709**	10,959
Utilised	**(6,565)**	(6,891)
Unused amounts reversed	**(5,001)**	(3,639)
Foreign currency adjustment	**4,235**	(264)
At 31 December	**19,858**	12,480

There was no change made to the level of provision for doubtful debts upon the adoption of IFRS 9. The doubtful debt provision is determined as follows:

			Past due but not impaired				
	Total £'000	Neither past due nor impaired £'000	<30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2018							
Expected loss rate	**1.73%**	**0.43%**	**4.21%**	**3.63%**	**3.70%**	**74.62%**	**77.16%**
Gross carrying amount	**1,148,314**	**1,003,452**	**89,008**	**30,785**	**11,697**	**1,852**	**11,520**
Provision	**19,858**	**4,287**	**3,749**	**1,118**	**433**	**1,382**	**8,889**
2017							
Expected loss rate	1.52%	0.29%	3.87%	2.44%	18.08%	8.48%	51.17%
Gross carrying amount	820,517	702,374	68,976	28,923	4,193	4,527	11,524
Provision	12,480	2,069	2,667	706	758	384	5,896

20 Cash and short-term deposits

	2018 £'000	2017 £'000
Cash at bank and in hand	**200,442**	206,605

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 £200,442,000 (2017: £206,605,000).

Due to strong cash generation over the past three years, the Group is now in a position where it can finance its operational requirements from its cash balance. The Group does, however, retain overdraft facilities where required. The uncommitted overdraft facilities available to the Group are £11.7 million at 31 December 2018 (2017: £10.0 million). During 2013, the Group entered into a specific committed facility of £40.0 million. This facility was renewed for a second time for a further three years and extended to a value of £60.0 million.

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	2018 £'000	2017 £'000
Cash at bank and in hand	**200,442**	206,605
Bank overdrafts (note 22)	**–**	(6)
	200,442	206,599

Expected credit loss on cash and cash equivalents is negligible and therefore no provision is held.

21 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	**885,834**	587,963
Other payables	**256,794**	204,017
	1,142,628	791,980

For terms and conditions relating to related parties, refer to note 33.

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

The Group had no short-term supplier extended-term interest-bearing credit facilities (2017: nil).

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

	2018 £'000	2017 £'000
Current		
Bank loan	**7,472**	2,213
Bank overdrafts	**–**	6
Current obligations under finance leases – 'CSF' (note 24)	**3,168**	1,536
	10,640	3,755
Non-current		
Bank loan	**126,762**	8,454
Non-current obligations under finance leases – 'CSF' (note 24)	**5,760**	3,209
	132,522	11,663

There are no material differences between the fair value of financial liabilities and their book value.

Bank loans
The Group has three principal bank loans:
- A loan of £100 million was drawn down at 2.05 per cent interest rate to finance the acquisition of FusionStorm (see note 17). Repayment of this loan will commence in H1 2019 and will continue for three years;
- a loan of €8 million was taken out on 21 December 2017. Repayments commenced in FY2018 and will continue for four years. The loan carries fixed interest rate at 1.65 per cent per annum. The loan is taken out to finance the fit-out of the new German headquarters building and Integration Center in Kerpen; and
- a loan of €4 million was taken out on 27 December 2017. Repayments commenced in FY2018 and will continue for nine years. The loan carries fixed interest rate at 1.95 per cent per annum. The loan is taken out to finance the acquisition of the new German headquarters building in Germany, which has been mortgaged to the lender.

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

Finance leases
The finance leases are only secured on the assets that they finance. These assets are in the main used to satisfy specific customer contracts. There are a small number of assets that are utilised internally.

The finance lease and loan facilities are committed.

Facilities
At 31 December 2018, the Group had available £11.7 million of uncommitted overdraft facilities (2017: £10.0 million).

23 Forward currency contracts

	2018 £'000	2017 £'000
Financial instruments at fair value through profit and loss		
Foreign exchange forward contracts	**(39)**	503
Financial instruments at fair value through other comprehensive income		
Cash flow hedges		
Foreign exchange forward contracts	**3,278**	6,510
	3,239	7,013

Cash flow hedges

Financial assets and liabilities at fair value through other comprehensive income

These amounts reflect the change in the fair value of foreign exchange forward contracts designated as cash flow hedges which are used to hedge expected contract costs in South African rand and Hungarian forint where sales on those contracts are in pound sterling, based on highly probable forecast transactions.

Financial assets and liabilities at fair value through profit or loss

The Group also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases. When these other contracts are not designated in hedge relationships they are measured at fair value through profit and loss within administrative expenses.

The foreign exchange forward contract balances vary with the level of expected foreign currency costs and changes in the foreign exchange forward rates.

Effectiveness of hedging

The terms of the foreign currency forward contracts have been negotiated for the expected highly probable forecast transactions to which hedge accounting has been applied. No significant element of hedge ineffectiveness required recognition in the Consolidated Income Statement.

The cash flow hedges of the forecasted costs were assessed to be highly effective and a net unrealised gain of £3,278,000 (2017: £6,510,000) with a deferred tax liability of £616,000 (2017: £1,107,000) 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 £3,278,000 (2017: £6,510,000) are expected to mature and affect the Consolidated Income Statement between 2019 and 2021.

Forward currency contracts

At 31 December 2018 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 2018

	Buy currency	Sell currency	Nominal value of contracts	Maturity dates	Contract rates
UK	Sterling	Euros	£16,883,650	Jan 19 – Apr 20	1.059 – 1.143
	Sterling	Hungarian forint	£525,253	Jan 19 – Apr 19	368.560 – 369.203
	Sterling	Polish zloty	£838,346	Jun 19	4.7713
	Sterling	SA rand	£6,883,563	Jan 19 – Oct 22	18.943 – 27.262
	US dollars	Sterling	$54,253,759	Jan 19 – Aug 21	1.261 – 1.422
	Euros	Sterling	€3,482,554	Jan 19 – Mar 19	1.105 – 1.1192
	Australian dollars	Sterling	AUD 267,000	Jan 19	1.811
	Swiss francs	Sterling	CHF 1,960,000	Jan 19 – Dec 19	1.236 – 1.257
	Hungarian forint	Sterling	HUF 614,700,000	Jan 19	358.167 – 358.211
	Norwegian krone	Sterling	NOK 437,0000	Jan 19 – Feb 19	11.026 – 11.028
	Swedish krona	Sterling	SEK 13,300,000	Feb 19	11.303 – 11.429
	SA rand	Sterling	ZAR 291,452,508	Jan 19 – Oct 22	18.443 – 23.505
Germany	Euros	US dollars	€88,773,641	Jan 19 – Nov 20	1.138 – 1.221
	Euros	Hungarian forint	€3,512,731	Jan 19 – Jun 20	311.50 – 327.10

23 Forward currency contracts continued

31 December 2017

	Buy currency	Sell currency	Nominal value of contracts	Maturity dates	Contract rates
UK	Euros	Sterling	€548,700	Apr 18 – Apr 20	1.059 – 1.079
	Sterling	US dollars	£5,067,217	Jan 18 – Mar 18	1.340 – 1.355
	Sterling	Euros	£45,391,545	Jan 18 – Apr 18	1.112 – 1.137
	Sterling	Swiss francs	£1,986,063	Jan 18 – Dec 18	1.304 – 1.335
	US dollars	Sterling	$104,511,035	Jan 18 – Aug 21	1.303 – 1.432
	SA rand	Sterling	ZAR 440,841,213	Jan 18 – Oct 22	16.864 – 33.050
	Sterling	Swedish krona	£371,554	Jan 18	11.035
	Sterling	Singapore dollars	£146,361	Jan 18	1.811
	Sterling	Hungarian forint	£1,901,225	Jan 18 – Mar 18	347.016 – 351.136
	Hungarian forint	Sterling	HUF 139,600,000	Jan 18 – Apr 18	363.959 – 365.056
	Sterling	Hong Kong dollars	£332,962	Jan 18	10.662
Germany	US dollars	Euros	$86,681,596	Jan 18 – Dec 18	1.169 – 1.221
	Hungarian forint	Euros	HUF 1,043,407	Jan 18	322.75 – 323.58
Belgium	Sterling	Euros	£5,319,723	Jan 18	0.881 – 0.891
	SA rand	Euros	ZAR 1,779,558	Jan 18 – May 22	16.1684 – 22.7142
	Sterling	Euros	£365,333	Jan 18	1.1304

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:

	2018		2017	
	Minimum payments £'000	Present value of payments £'000	Minimum payments £'000	Present value of payments £'000
Within one year	**3,409**	**3,168**	1,712	1,536
After one year but not more than five years	**5,952**	**5,760**	3,399	3,209
	9,361	**8,928**	5,111	4,745
Future finance charges	**(433)**		(366)	
Present value of finance lease obligation	**8,928**		4,745	

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:

	2018 £'000	2017 £'000
Within one year	**45,183**	50,300
After one year but not more than five years	**80,970**	89,233
More than five years	**10,879**	7,970
	137,032	147,503

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:

	2018 £'000	2017 £'000
Within one year	**159**	158

25 Provisions

	Customer contract provisions £'000	Retirement benefit obligation £'000	Property provisions £'000	Other provisions £'000	Total provisions £'000
At 1 January 2018	–	5,904	2,913	463	9,280
Reclassification from other payables	8,196	–	–	–	8,196
Amounts reversed	(1,100)	–	–	–	(1,100)
Arising during the year	14,734	1,440	–	–	16,174
Utilised	(5,645)	(47)	(173)	–	(5,865)
Exchange adjustment	209	119	11	7	346
At 31 December 2018	16,394	7,416	2,751	470	27,031
Current 2018	10,271	–	1,249	470	11,990
Non-current 2018	6,123	7,416	1,502	–	15,041
	16,394	7,416	2,751	470	27,031
Current 2017	–	–	1,218	463	1,681
Non-current 2017	–	5,904	1,695	–	7,599
	–	5,904	2,913	463	9,280

Customer contract provision
Following implementation of IFRS 15 and due to materiality of the provisions on difficult customer contracts, the provisions for difficult customer contracts were reclassified from other payables to be disclosed as provisions. These provisions result from customer contracts where total cost exceeds total revenue. Refer to note 3.1.1 for further details.

Retirement benefit obligation
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 or made redundant. The Group made £47,000 of payments during 2018 under this obligation (2017: £8,000).

In estimating the provision required, Management is required to make a number of assumptions. The key areas of estimation uncertainty are the discount rate applied to future cash flows, the turnover rate of employed personnel and rate of salary increases over the length of their projected employment. The level of unrealised actuarial gains or losses are sensitive to changes in the discount rate, which is affected by market conditions and therefore subject to variation. Management makes use of an independent actuarial valuation in reaching its conclusions.

The net liability recognised in the Consolidated Balance Sheet at 31 December 2018 in respect of the Group's French retirement benefit obligations under the IFC was £7.4 million (2017: £5.9 million). Key movements during the year include a charge to the Consolidated Income Statement of £0.4 million for the service cost and an actuarial loss taken through reserves of £1.0 million. The key driver of actuarial loss this year was the change in demographic assumptions mainly due to change in staff turnover rates assumption in the actuarial valuation.

Property provisions
Assumptions used to calculate the property provisions are based on 100 per cent of the market value of the rental charges plus any contractual dilapidation expenses on empty properties and the Directors' best estimates of the likely time before the relevant leases can be reassigned or sublet, which ranges between one and 15 years. The provisions in relation to the UK properties are discounted at a rate based upon the Bank of England base rate. Those in respect of the European operations are discounted at a rate based on Euribor.

Other provisions
Included within other provisions are the residual estimated costs associated with elements of the comprehensive transformation of the Group's French business that occurred in 2014 for £0.1 million and the Line of Business restructure that occurred during 2016 for £0.1 million. The remaining nature of the costs previously provided for primarily include retraining and resettlement costs for redundant employees are expected to be utilised in 2019.

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 56 to 66.

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 and considers forward-looking information to determine the appropriate expected credit loss for the whole remaining life of the trade receivable. 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
2018		
Sterling	+25	**(153)**
Euro	+25	**150**
US dollars	+25	**26**
2017		
Sterling	+25	307
Euro	+25	135
US dollars	+25	36

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.

Exchange rate sensitivity

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and receivables are denominated and the respective functional currencies of Group companies. The functional currencies of material overseas subsidiaries are primarily the euro (€), US dollar (US$), South African rand (ZAR) and Swiss franc (CHF).

The Group's risk management policy is to hedge all of its expected foreign currency exposure in respect of sales and purchases as soon as these are committed. The Group uses forward exchange contracts to hedge its currency risk. The principal currencies hedged by forward foreign exchange contracts are $, €, ZAR and HUF.

However, the hedge accounting is mainly applied to the expected trading cash flows denominated in ZAR, HUF and € where the exposure extends beyond one year and there is a strong expectation that the expected future foreign currency cash flow will occur. The Group uses forward foreign exchange contracts, designated as cash flow hedges, to hedge these cash flows. When a commitment is entered into, forward foreign exchange contracts are normally used to increase the hedge to 100 per cent of the expected exposure although between 80 per cent and 110 per cent of the expected exposure should be hedged to meet risk management policy. The Group designates all of its forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparties' and the Group's own credit risk on the fair value of the forward foreign exchange contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates;
- actual cash flows in foreign currencies varying from forecast cash flows; and
- changes in the timing of the hedged transactions.

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.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	31 December 2018 £'000		31 December 2017 £'000	
	USD	EUR	USD	EUR
Trade and other receivables	**272,944**	**755,899**	157,124	557,655
Trade and other payables	**(260,980)**	**(725,789)**	(136,309)	(484,941)
Net statement of financial position	**11,964**	**30,110**	20,815	72,714
Forward exchange contracts	**111,803**	**(20,092)**	188,881	(20,367)
Net exposure	**123,767**	**10,018**	209,696	52,347

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 2018					
Financial liabilities	–	**7,645**	**16,788**	**118,729**	**143,162**
Derivative financial instruments	–	**612**	–	–	**612**
Trade and other payables	–	**1,142,628**	–	–	**1,142,628**
	–	**1,150,885**	**16,788**	**118,729**	**1,286,402**

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	Total £'000
Year ended 31 December 2017					
Financial liabilities	6	982	2,945	11,852	15,785
Derivative financial instruments	–	–	1,196	–	1,196
Trade and other payables	–	791,980	–	–	791,980
	6	792,962	4,141	11,852	808,961

26 Financial instruments continued

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 2018 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 £3,239,000 (2017: £7,013,000).

The realised gains from forward currency contracts in the year to 31 December 2018 of £6,510,000 (2017: £6,293,000) with a deferred tax liability of £1,107,000 (2017: £1,070,000), are offset by broadly equivalent realised losses on the related underlying transactions.

Contingent consideration

The contingent consideration that resulted from the acquisition of FusionStorm of $20.0 million, were measured at Level 3 fair value, subsequent to initial recognition. The Group used discounted cash flows (DCF) as a valuation technique to derive fair value of the contingent consideration as at 31 December 2018. Having considered a range of possible earn out scenarios, management determined that a full accrual of $20.0 million discounted to £14.6 million using a weighted average discount rate of 11 per cent, should be recorded as contingent consideration. This estimate is not considered to be sensitive to reasonable changes in underlying assumptions. The contingent consideration of £14.6 million is included in Trade and other payables as at 31 December 2018.

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 2018 the cover was 2.5 times on an adjusted[1] profit basis (2017: 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. A notional cash pooling arrangement, which was introduced in 2013, expired in early 2017. Subsequent to expiry, an internal cash pooling arrangement was implemented which utilises internal Group financing arrangements.

In certain circumstances, the Group enters into customer contracts that are financed by leases, which are secured only on the assets that they finance, or loans. Whilst the outstanding amounts of this CSF are included within net funds[3] for statutory reporting purposes, the Group excludes this CSF when managing the net funds[3] 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 funds[3] of the business, and accordingly includes these deposits within net funds[3] excluding CSF.

Capital, defined as net funds[3], that the Group monitors is disclosed in note 30.

Each operating country manages its working capital in line with Group policies. The key components of working capital, i.e. trade receivables, inventory and trade payables, are managed in accordance with an agreed number of days targeted in the budget process, in order to ensure efficient capital usage.

An important element of the process of managing capital efficiently is to ensure that each operating country rewards behaviour at an account manager and account director level to minimise working capital, at a transactional level. This is achieved by increasing commission payments for early payment by customers and reduced commission payments for late payment by customers, which encourages appropriate behaviour. The Group regularly reviews the adequacy of its facilities against any foreseeable peak borrowing requirement. See note 20 for details on uncommitted overdraft facilities available to the Group.

28 Issued capital and reserves

Authorised share capital

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital. The Company's Articles of Association has been amended to reflect this change.

Issued share capital – ordinary shares

Issued and fully paid	$7\frac{5}{9}$p ordinary shares No.'000	0.01p Deferred shares No.'000	Total £'000
At 1 January 2018	122,688	292,944	9,299
Cancellation of deferred shares	–	(292,944)	(29)
At 31 December 2018	**122,688**	**–**	**9,270**

During the year, the issued share capital remained unchanged.

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 Executive Directors and certain senior management (note 29).

Cancellation of deferred shares
The Company announced on 14 December 2018 that, in accordance with the provisions of its articles of association, 228,443,966 deferred shares, being all of the outstanding deferred shares held by deferred shareholders in connection with the return of value in 2013 and the return of value in 2015, were transferred to the Company for nil consideration and cancelled on 13 December 2018. The Company also announced, on the same date, that the 64,500,230 deferred shares held in treasury were cancelled by the Company on 13 December 2018.

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 (2017: nil).

Own shares held
Own shares held comprise the following:

i) Computacenter Employee Share Ownership Plan
Shares in the Parent undertaking comprise 1,411,245 (2017: 1,588,994) $7\frac{5}{9}$ 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 1.15 per cent (2017: 1.3 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 $7\frac{5}{9}$ pence each in Computacenter plc under other employee share plans of the Group, namely the Computacenter Service Group plc Approved Executive Share Option Plan, the Computacenter plc Employee Share Option Scheme 1998, the Computacenter Service Group plc Unapproved Executive Share Option Scheme, the Computacenter Performance Related Share Option Scheme 1998, the Computacenter plc Sharesave Plus Scheme and any future similar share ownership schemes.

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

The Plan Trustees have waived the dividends receivable in respect of 1,411,245 $7\frac{5}{9}$ pence ordinary shares (2017: 1,588,994) that it owns which are all unallocated shares.

ii) Computacenter Qualifying Employee Share Trust ('the Quest')
The total shares held are 336,181 (2017: 188,822) $7\frac{5}{9}$ pence ordinary shares, which represents 0.27 per cent (2017: 0.15 per cent) of the Company's issued share capital. All of these shares will continue to be held by the Quest until such time as the Sharesave options granted against them are exercised. The market value of these shares at 31 December 2018 was £3,563,519 (2017: £2,177,118). The Quest Trustees have waived dividends in respect of all of these shares. During the year the Quest subscribed for nil $7\frac{5}{9}$ pence ordinary shares (2017: nil).

iii) Treasury Shares
On 23 January 2018, the Company published details of the timing and structure of a Return of Value by way of a shareholder circular (the 'Circular'). On 13 February 2018, the Company announced the results of the Tender Offer set out in the Circular, which closed on 9 February 2018.

A total of 8,546,861 ordinary shares were purchased at a price per ordinary share of 1,170 pence, for a total cost of £99,998,273.70. This represented approximately 6.97 per cent of the issued share capital of the Company as at 31 December 2017.

28 Issued capital and reserves continued

The Company holds the ordinary shares purchased pursuant to the Tender Offer in treasury. Immediately following the purchase, the Company's issued share capital consisted of 122,687,970 ordinary shares of 7⁵⁄₉ pence each, each carrying one voting right, of which the Company held 8,546,861 ordinary shares in treasury.

As at 31 December 2018, the total number of voting rights in the Company which may be used by shareholders as the denominator for the calculations by which they can determine if they are required to notify their interest in, or a change to their interest in the Company, under the Disclosure and Transparency Rules, is 114,141,109. The percentage of voting rights attributable to those shares it holds in treasury following the share buy-back is 6.97 per cent.

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, nil options were exercised with respect to 7⁵⁄₉ pence ordinary shares (2017: nil) at a nominal value of nil (2017: £nil) at an aggregate premium of nil (2017: £nil). Under the Computacenter Employee Share Option Scheme 1998 and the Computacenter Services Group Executive Share Scheme, options in respect of nil (2017: nil) shares lapsed.

Computacenter Performance Share Plan (PSP)

Under the Computacenter PSP, shares granted will be subject to certain performance conditions as described in the Annual Remuneration Report. During the year 540,324 (2017: 783,750) shares were awarded, 469,256 (2017: 542,692) were exercised and 216,046 (2017: 226,351) lapsed. At 31 December 2018 the number of shares outstanding was as follows:

Date of grant	Maturity date	Share price at date of grant	2018 Number outstanding	2017 Number outstanding
17/03/2011	17/03/2014	423.00p	–	2,660
23/03/2012	23/03/2015	433.00p	**2,285**	2,285
03/05/2013	03/05/2016	440.00p	**21,306**	29,739
20/03/2014	20/03/2017	682.50p	**81,239**	91,789
26/03/2015	26/03/2018	720.00p	**76,156**	633,118
22/03/2016	22/03/2019	847.00p	**510,666**	515,209
22/03/2017	22/03/2020	736.50p	**666,724**	718,985
21/03/2018	21/03/2019	1,182.67p	**19,340**	–
21/03/2018	21/03/2020	1,182.67p	**19,341**	–
21/03/2018	21/03/2021	1,182.67p	**275,339**	–
21/03/2018	21/03/2023	1,182.67p	**139,092**	–
18/05/2018	18/05/2021	1,314.00p	**22,334**	–
01/10/2018	21/03/2021	1,281.30p	**14,985**	–
			1,848,807	1,993,785

The weighted average share price at the date of exercise for the options exercised is £11.75 (2017: £7.30).

The weighted average remaining contractual life for the options outstanding as at 31 December 2018 is 1.2 years (2017: 1.2 years).

Computacenter Sharesave Scheme (SAYE)

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 865,055 (2017: 1,129,930) options were granted with a fair value of £2,079,828 (2017: £3,313,733).

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

Date of grant	Exercisable between	Share price	2018 Number outstanding	2017 Number outstanding
October 2012	01/12/2017 – 31/05/2018	343.00p	–	86,996
October 2013	01/12/2018 – 31/05/2019	430.00p	**186,185**	541,181
October 2014	01/12/2017 – 31/05/2018	589.50p	–	81,317
October 2014	01/12/2019 – 31/05/2020	524.00p	**569,299**	608,800
October 2015	01/12/2018 – 31/05/2019	675.00p	**124,962**	309,746
October 2015	01/12/2020 – 31/05/2021	600.00p	**599,478**	647,698
October 2016	01/12/2019 – 31/05/2020	649.00p	**269,886**	297,351
October 2016	01/12/2021 – 31/05/2022	577.00p	**566,920**	609,627
October 2017	01/12/2020 – 01/06/2021	888.00p	**331,750**	358,724
October 2017	01/12/2022 – 01/06/2023	789.00p	**705,644**	766,025
October 2018	01/12/2021 – 01/06/2022	1,186.00p	**304,283**	–
October 2018	01/12/2023 – 01/06/2024	1,054.00p	**551,520**	–
			4,209,927	4,307,465

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

	2018 No.	2018 WAEP	2017 No.	2017 WAEP
Sharesave Scheme				
Outstanding at the beginning of the year	**4,307,465**	**£6.26**	4,099,366	£4.28
Granted during the year	**865,055**	**£11.01**	1,129,930	£8.21
Forfeited during the year	**(241,775)**	**£6.94**	(213,777)	£5.89
Exercised during the year***	**(720,818)**	**£5.01**	(708,054)	£4.58
Outstanding at the end of the year	**4,209,927**	**£7.41**	4,307,465	£6.26
Exercisable at the end of the year	**321,346**	**£5.40**	167,149	£5.44

Note
*** The weighted average share price at the date of exercise for the options exercised is £10.94 (2017: £10.08).

The weighted average remaining contractual life for the options outstanding as at 31 December 2018 is 3.0 years (2017: 3.2 years).

29 Share-based payments continued

The fair value of the PSP, DBP and SAYE 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 2018 and 31 December 2017:

2018

Nature of the arrangement	PSP scheme	PSP scheme	PSP scheme	PSP scheme	PSP scheme	DBP scheme	DBP scheme	SAYE scheme	SAYE scheme
Date of grant	21/03/2018	21/03/2018	21/03/2018	18/05/2018	01/10/2018	21/03/2018	21/03/2018	24/10/2018	24/10/2018
Number of instruments granted	233,823	139,092	83,793	29,950	14,985	19,340	19,341	309,211	555,844
Exercise price	nil	nil	nil	nil	nil	nil	nil	£11.86	£10.54
Share price at date of grant	£11.83	£11.83	£11.83	£13.14	£12.81	£11.83	£11.83	£12.44	£12.44
Contractual life (years)	3	5	3	3	3	1	2	3	5
Vesting conditions	See note 1 below	See the Annual Remuneration Report on page 74 in 2017 Annual Report and Accounts	See the Annual Remuneration Report on page 74 in 2017 Annual Report and Accounts	See note 1 below	See note 1 below	See the Annual Remuneration Report on page 74 in 2017 Annual Report and Accounts	See the Annual Remuneration Report on page 74 in 2017 Annual Report and Accounts	Three-year service period and savings requirement	Five-year service period and savings requirement
Expected volatility	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29.1%	27.9%
Expected option life at grant date (years)	3	5	3	3	3	1	2	3	5
Risk-free interest rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.23%	2.23%
Dividend yield	2%	2%	2%	1.8%	2%	2%	2%	2.34%	2.34%
Fair value per granted instrument determined at grant date	£11.14	£10.71	£11.14	£12.44	£11.31	£11.59	£11.36	£2.65	£3.40

2017

Nature of the arrangement	PSP scheme	PSP scheme	PSP scheme	PSP scheme	SAYE scheme	SAYE scheme
Date of grant	04/07/2017	18/09/2017	22/03/2017	22/03/2017	01/12/2017	01/12/2017
Number of instruments granted	62,150	10,648	335,235	375,717	362,917	767,013
Exercise price	£nil	£nil	£nil	£nil	£8.88	£7.89
Share price at date of grant	£8.04	£9.86	£7.37	£7.37	£10.78	£10.78
Contractual life (years)	3	3	3	3	3	5
Vesting conditions	See the Annual Remuneration Report on page 75 in 2016 Annual Report and Accounts	See note 1 below	See the Annual Remuneration Report on page 75 in 2016 Annual Report and Accounts	See note 1 below	Three-year service period and savings requirement	Five-year service period and savings requirement
Expected volatility	n/a	n/a	n/a	n/a	25.3%	28.4%
Expected option life at grant date (years)	3	3	3	3	3	5
Risk-free interest rate	n/a	n/a	n/a	n/a	0.74%	0.74%
Dividend yield	3.0%	2.4%	3.2%	3.2%	2.5%	2.5%
Fair value per granted instrument determined at grant date	£7.37	£9.18	£6.69	£6.69	£2.36	£3.21

Note
1. Issued under the terms of the Computacenter Performance Share Plan 2005, as amended at the AGM held on 19 May 2015. One-quarter of the shares will vest if the compound annual EPS growth over the performance period equals 5 per cent per annum. One-half of the shares will vest if the compound annual EPS growth over the performance period equals 7.5 per cent and will vest in full if the compound annual EPS growth over the performance period equals 10 per cent. If the compound annual EPS growth over the performance period is between 5 and 10 per cent, shares awarded will vest on a straight-line basis. The performance period usually covers a period of three years from 1 January of the year the award is granted.

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

The expected volatility reflects the assumption that the recent historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

30 Analysis of changes in net funds

	At 1 January 2018 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2018 £'000
Cash and short-term deposits	206,605	(7,743)	–	1,580	200,442
Bank overdraft	(6)	6	–	–	–
Cash and cash equivalents	206,599	(7,737)	–	1,580	200,442
Bank loans	(10,667)	(122,946)	–	(621)	(134,234)
Net funds excluding CSF	195,932	(130,683)	–	959	66,208
CSF leases	(4,745)	(4,322)	433	(294)	(8,928)
Total CSF	(4,745)	(4,322)	433	(294)	(8,928)
Net funds	191,187	(135,005)	433	665	57,280

	At 1 January 2017 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2017 £'000
Cash and short-term deposits	118,676	84,708	–	3,221	206,605
Bank overdraft	–	(6)	–	–	(6)
Cash and cash equivalents	118,676	84,702	–	3,221	206,599
Current asset investments	30,000	(30,000)	–	–	–
Bank loans	(294)	(10,297)	–	(76)	(10,667)
Net funds excluding CSF	148,382	44,405	–	3,145	195,932
CSF leases	(3,477)	(1,486)	366	(148)	(4,745)
Customer-specific other loans	(413)	338	–	75	–
Total CSF	(3,890)	(1,148)	366	(73)	(4,745)
Net funds	144,492	43,257	366	3,072	191,187

31 Capital commitments

At 31 December 2018, the Group held significant commitments for capital expenditure of £4.3 million in relation to the fit-out of the new German headquarters and Integration Center in Kerpen (2017: £25.3 million).

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 below.

	2018 £'000	2017 £'000
Total defined benefit liability	**7,416**	5,904

Movements in total defined benefit liability

	2018 £'000	2017 £'000
Balance at 1 January	**5,904**	4,714
Included in Consolidated Income Statement		
Current service cost	**423**	361
Interest cost	**75**	63
	498	424
Included in Consolidated Statement of Comprehensive Income		
Remeasurements loss/(gain):		
Actuarial loss/(gain) arising from:	**942**	593
– Changes in demographic assumptions	**1,279**	–
– Change in financial assumptions	**(144)**	–
– Experience adjustment	**(193)**	593
Effect of movements in exchange rates	**119**	182
	1,061	775
Other		
Contributions paid by the employer		
Benefits paid	**(47)**	(9)
	(47)	(9)
Balance at 31 December	**7,416**	5,904

Actuarial assumptions

The following are the principal actuarial assumptions at 31 December (expressed as weighted averages):

	2018 %	2017 %
Discount rate	**1.50**	1.30
Future salary growth	**1.50**	1.50
Turnover rates:		
– Non-managers	**17.20**	13.00
– Supervisors	**12.60**	9.60
– Executives	**10.20**	20.30

At 31 December 2018, the discount rate used was 1.5 per cent (2017: 1.3 per cent) with reference to the iBoxx € Corporate AA 10y + index.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	31 December 2018		31 December 2017	
	Increase	Decrease	Increase	Decrease
Discount rate (1 per cent movement)	**862**	**(1,014)**	695	(819)
Future salary growth (1 per cent movement)	**(1,006)**	**872**	(810)	702
Turnover rates (1 per cent movement)	**586**	**(658)**	483	(544)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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; and
- 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	**23**	**838**	**–**

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 91 for details of compensation given to the Group's key management personnel. A summary of the compensation of key management personnel is provided below:

	2018 £'000	2017 £'000
Short-term employee benefits	**1,791**	1,842
Social security costs	**433**	383
Share-based payment transactions	**1,367**	1,563
Pension costs	**65**	51
Total compensation paid to key management personnel	**3,656**	3,839

The interest of the key management personnel in the Group's share incentive schemes are disclosed in the Annual Remuneration Report on pages 94 to 95.

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 £158.3 million (2017: £117.6 million).

Company Balance Sheet

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	3	**42,221**	50,721
Investment property	4	**15,036**	16,071
Investments	5	**319,527**	206,813
		376,784	273,605
Current assets			
Debtors	6	**51,922**	169,870
Prepayments		**691**	–
Cash at bank and in hand		**212**	154
		52,825	170,024
Total assets		**429,609**	443,629
Current liabilities			
Financial liabilities	7	**13,929**	–
Income tax payable		**577**	546
		14,506	546
Non-current liabilities			
Financial liabilities	7	**86,583**	–
		86,583	–
Total liabilities		**101,089**	546
Net assets		**328,520**	443,083
Capital and reserves			
Issued share capital		**9,270**	9,299
Share premium		**3,942**	3,913
Capital redemption reserve		**74,957**	74,957
Merger reserve		**55,990**	55,990
Own shares held		**(113,474)**	(11,360)
Retained earnings		**297,835**	310,284
Shareholders' equity		**328,520**	443,083

Approved by the Board on 11 March 2019

MJ Norris
Chief Executive Officer

FA Conophy
Group Finance Director

Company Statement of Changes in Equity

For the year ended 31 December 2018

	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 2018	**9,299**	**3,913**	**74,957**	**55,990**	**(11,360)**	**310,284**	**443,083**
Profit for the year	–	–	–	–	–	**20,794**	**20,794**
Total comprehensive income for the year	–	–	–	–	–	**20,794**	**20,794**
Exercise of options	–	–	–	–	**11,158**	**(7,592)**	**3,566**
Share options granted to employees of subsidiary companies	–	–	–	–	–	**6,425**	**6,425**
Purchase of own shares	–	–	–	–	**(13,274)**	–	**(13,274)**
Return of Value (RoV)	–	–	–	–	**(99,998)**	–	**(99,998)**
Expense relating to RoV	–	–	–	–	–	**(1,196)**	**(1,196)**
Cancellation of deferred shares	**(29)**	**29**	–	–	–	–	–
Equity dividends	–	–	–	–	–	**(30,880)**	**(30,880)**
At 31 December 2018	**9,270**	**3,942**	**74,957**	**55,990**	**(113,474)**	**297,835**	**328,520**

At 1 January 2017	9,299	3,913	74,957	55,990	(12,115)	274,625	406,669
Profit for the year	–	–	–	–	–	62,960	62,960
Total comprehensive income for the year	–	–	–	–	–	62,960	62,960
Exercise of options	–	–	–	–	9,613	(6,389)	3,224
Share options granted to employees of subsidiary companies	–	–	–	–	–	6,200	6,200
Purchase of own shares	–	–	–	–	(8,858)	–	(8,858)
Equity dividends	–	–	–	–	–	(27,112)	(27,112)
At 31 December 2017	9,299	3,913	74,957	55,990	(11,360)	310,284	443,083

Notes to the Company Financial Statements

For the year ended 31 December 2018

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 2018 were authorised for issue by the Board of Directors on 11 March 2019 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 2018. The Financial Statements are prepared in pound sterling and are rounded to the nearest thousand pounds (£'000).

2 Summary of significant accounting policies

Basis of preparation

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment;
(b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
(c) the requirements of IFRS 7 Financial Instruments: Disclosures;
(e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
(f) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  (iii) paragraph 118(e) of IAS 38 Intangible Assets;
  (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  (v) paragraph 50 of IAS 41 Agriculture.
(g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
(h) the requirements of IAS 7 Statement of Cash Flows;
(i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
(k) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(l) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The basis for all of the above exemptions is because equivalent disclosures are included in the Consolidated Financial Statements of the Group in which the entity is consolidated.

Intellectual property

Licences purchased in respect of intellectual property are capitalised, classified as an intangible asset on the Balance Sheet and amortised on a straight-line basis over the period of the licence, normally 20 years.

Depreciation of fixed assets

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

Freehold buildings	25 years

Investment property

Investment property is defined as land and/or buildings held by the Company to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in supply of goods or services or for administrative purposes. The Company recognises any part of an owned (or leased under a finance lease) property that is leased to third-parties as investment property, unless it represents an insignificant portion of the property.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, the Company elected to measure investment property at cost less accumulated depreciation and accumulated impairment losses, if any (i.e. applying the same accounting policies (including useful lives) as for property, plant and equipment). The fair values, which reflect the market conditions at the balance sheet date, are disclosed in note 4.

Investments

Fixed asset investments are shown at cost less provision for impairment.

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

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

Share-based payment transactions
The accounting policy in relation to share-based payment transactions is disclosed in full in the Consolidated Financial Statements. In addition to that, the financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings are recognised by the Company in its individual Financial Statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings.

On transition to IFRS, the Group did not apply the measurement rules of IFRS 2 to equity-settled awards granted before 7 November 2002 or granted after that date and vested before 1 January 2005. However, later modifications of such equity instruments are measured under IFRS 2.

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

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

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

Own shares held
Shares in the Company, held by the Company, are classified in shareholders' equity as 'own shares held' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Merger accounting and the merger reserve
Prior to 1 January 2013, certain significant business combinations were accounted for using the 'pooling of interests method' (or merger accounting), which treats the merged groups as if they had been combined throughout the current and comparative accounting periods. Merger accounting principles for these combinations gave rise to a merger reserve in the Consolidated Balance Sheet, being the difference between the nominal value of new shares issued by the Parent Company for the acquisition of the shares of the subsidiary and the subsidiary's own share capital and share premium account. These transactions have not been restated, as permitted by the IFRS 1 transitional arrangements.

The merger reserve is also used where more than 90 per cent of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 1985 and, from 1 October 2009, the Companies Act 2006.

3 Intangible assets

	Intellectual property £'000
Cost	
At 1 January 2018 and 31 December 2018	**169,737**
Accumulated amortisation	
At 1 January 2018	**119,016**
Charge in the year	**8,500**
At 31 December 2018	**127,516**
Net book value	
At 31 December 2018	**42,221**
At 31 December 2017	**50,721**

4 Investment properties

	Freehold land and buildings £'000
Cost	
At 1 January 2018 and 31 December 2018	**42,350**
Accumulated depreciation	
At 1 January 2018	**26,279**
Charge in the year	**1,035**
At 31 December 2018	**27,314**
Net book value	
At 31 December 2018	**15,036**
At 31 December 2017	**16,071**

Investment property represents a building owned by the Company that is leased to Computacenter (UK) Ltd, a fully owned subsidiary of the Company.

The fair value of investment property amounted to £37.6 million at 31 December 2018 (2017: £37.3 million). The fair values for disclosure purposes have been determined using either the support of qualified independent external valuers or by internal valuers with the necessary recognised and relevant professional qualification, applying a combination of the present value of future cash flows and observable market values of comparable properties. Management's most recent external valuation of this property took place in February 2016. As this property is leased to a subsidiary and is carried at depreciated cost value, an updated external valuation was not sought at 31 December 2018.

5 Investments

	Investments in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Investment £'000	Total £'000
Cost				
At 1 January 2018	**322,802**	**2,754**	**25**	**325,581**
Additions	**106,289**	**–**	**–**	**106,289**
Share-based payments	**6,425**	**–**	**–**	**6,425**
At 31 December 2018	**435,516**	**2,754**	**25**	**438,295**
Amounts provided				
At 1 January 2018 and at 31 December 2018	**115,989**	**2,754**	**25**	**118,768**
Net book value				
At 31 December 2018	**319,527**	**–**	**–**	**319,527**
At 31 December 2017	206,813	–	–	206,813

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

	2018 £'000	2017 £'000
Amount owed by subsidiary undertaking	**51,783**	169,729
Other debtors	**127**	127
Deferred tax	**12**	14
	51,922	169,870

7 Financial liabilities

	2018 £'000	2017 £'000
Current		
Bank loan	**13,929**	–
Non-current		
Bank loan	**86,583**	–

There are no material differences between the fair value of financial liabilities and their book value.

Bank loans
The loan of £100.3 million was drawn down at 2.05 per cent interest rate to finance the acquisition of FusionStorm (see note 17 in the Consolidated Financial Statements of the Group). Repayment of this loan will commence in H1 2019 and will continue for seven years.

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 £158.3 million (2017: £117.6 million).

The Company has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December 2018 is £nil (2017: £nil).

9 Auditor's remuneration
All auditor's remuneration is borne by Computacenter (UK) Ltd, a fully-owned UK subsidiary of the Company. The amount payable to the auditor in respect of the audit of the Company is £115,000 (2017: £90,000), all of which is payable to KPMG LLP. The Company is exempt from providing details of non-audit fees as it prepares Consolidated Financial Statements in which the details are required to be disclosed on a consolidated basis (see note 5 to the Consolidated Financial Statements).

10 Distributable reserves
Dividends are paid from the standalone Balance Sheet of Computacenter plc, and as at 31 December 2018, the distributable reserves are approximately £184 million (2017: £299 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 this Annual Report and Accounts, as well as general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development.

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

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

Group five-year financial review and dates

Group five-year summary results

As of 31 December

	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m
Revenue	3,107.8	3,057.6	3,245.4	3,793.4	**4,352.6**
Adjusted[1] operating profit	86.1	87.4	86.2	105.5	**118.8**
Adjusted[1] profit before tax	85.9	87.2	86.4	106.2	**118.2**
Statutory profit for the year	55.1	103.1	63.8	81.3	**108.1**
Adjusted[1] diluted earnings per share	46.8p	53.6p	54.0p	65.1p	**75.7p**
Net cash excluding CSF	128.5	126.7	148.4	195.9	**57.3**
Year end headcount	13,175	12,993	13,373	14,026	**15,117**

Note: The 2015 results above are presented including RDC. This subsidiary was disposed of during 2015 and was excluded, as an adjusted[1] item, within the 2015 and 2016 Annual Report and Accounts.

Group five-year summary balance sheet

As at 31 December

	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m
Tangible assets	79.9	57.1	63.0	77.9	**106.3**
Investment property	–	10.3	10.0	–	**–**
Intangible assets	90.3	81.5	76.3	80.3	**184.6**
Investment in associate	–	–	0.1	0.1	**0.1**
Deferred tax asset	15.1	12.8	10.5	9.1	**9.6**
Non-current prepayments	–	–	–	–	**3.5**
Inventories	50.0	45.7	44.0	69.3	**99.5**
Trade and other receivables	695.9	621.8	740.4	835.4	**1,180.4**
Prepayments and accrued income	103.6	106.5	139.5	162.6	**171.2**
Forward currency contracts	2.4	2.2	8.1	8.2	**3.9**
Current asset investment	–	15.0	30.0	–	**–**
Cash	129.9	111.8	118.7	206.6	**200.4**
Current liabilities	(768.5)	(695.9)	(804.8)	(940.9)	**(1,351.1)**
Non-current liabilities	(13.2)	(7.3)	(7.9)	(19.7)	**(160.6)**
Net assets	385.4	361.5	428.0	488.9	**447.8**

Financial calendar

Title	Date
AGM	16 May 2019
Ex-dividend date	30 May 2019
Dividend record date	31 May 2019
Dividend payment date	28 June 2019
Interim results announcement	23 August 2019

Corporate information

Board of Directors
Greg Lock (Non-Executive Chairman)
Mike Norris (Chief Executive Officer)
Tony Conophy (Group Finance Director)
Ros Rivaz (Senior Independent Director)
Philip Hulme (Non-Executive Director)
Peter Ogden (Non-Executive Director)
Minnow Powell (Non-Executive Director)
Regine Stachelhaus (Non-Executive Director)
Peter Ryan (Non-Executive Director)

Principal banker
Barclays Bank plc
1 Churchill Place
Canary Wharf
London
E14 5HP
United Kingdom
Tel: +44 (0) 345 7345 345

HSBC Bank plc
8 Canada Square
London
E14 5HQ
United Kingdom
Tel: +44 (0) 345 740 4404

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL
United Kingdom
Tel: +44 (0) 20 7311 1000

Company Secretary
Raymond Gray

Registered office
Hatfield Avenue
Hatfield
Hertfordshire
AL10 9TW
United Kingdom
Tel: +44 (0) 1707 631000

Stockbrokers and investment bankers
Credit Suisse
One Cabot Square
London
E14 4QJ
United Kingdom
Tel: +44 (0) 20 7888 8888

Investec Investment Banking
30 Gresham Street
London
EC2V 7QP
United Kingdom
Tel: +44 (0) 20 7597 4000

Registrar and transfer office
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
United Kingdom
Tel: +44 (0) 371 384 2027
(Calls to this number cost 8p per minute plus network extras)

Solicitor
Linklaters
One Silk Street
London
EC2Y 8HQ
United Kingdom
Tel: +44 (0) 20 7456 2000

Company registration number
3110569

Internet address
Computacenter Group
www.computacenter.com

Principal offices

UK and Group headquarters
Computacenter plc
Hatfield Avenue
Hatfield
Hertfordshire
AL10 9TW
United Kingdom
Tel: +44 (0) 1707 631000

Belgium
Computacenter NV/SA
Ikaroslaan 31
B-1930 Zaventem
Belgium
Tel: +32 (0) 2 704 9411

France
Computacenter France SAS
Agence de Roissy
229 rue de la Belle Étoile
ZI Paris Nord II
BP 52387
95943 Roissy CDG Cedex
France
Tel: +33 (0) 1 48 17 41 00

Germany
Computacenter AG & Co. oHG
Computacenter Park 1
50170 Kerpen
Germany
Tel: +49 (0) 2273 5970

Computacenter AG
Kattenbug 2
50667 Köln
Germany
Tel: +49 (0) 22142 07430

Computacenter Germany AG & Co. oHG
Werner-Eckert-Str. 16-18
81829 München
Germany
Tel: +49 (0) 8945 7120

Hungary
Computacenter Services Kft
Haller Gardens, Building D. 1st Floor
Soroksári út 30-34
Budapest 1095
Hungary
Tel: +36 1 777 7488

Malaysia
Computacenter Services (Malaysia) Sdn Bhd
Level 9, Tower 1
Puchong Financial Corporate Centre
Jalan Puteri 1/2, Bandar Puteri
47100 Puchong
Selangor Darul Ehsan
Malaysia
Tel: +603 7724 9626

Mexico
Computacenter México S.A. de C.V.
Avenida Paseo de la Reforma 412 Piso 5
Colonia Juarez
Delegacion Cuauhtemoc
CP 06600
México City
Mexico
Tel: +52 (55) 6844 0700

Netherlands
Computacenter BV
Gondel 1
1186 MJ Amstelveen
The Netherlands
Tel: +31 (0) 88 435 8000

South Africa
Computacenter Services and Solutions (PTY) Ltd
Building 1
Parc du Cap
Mispel Road
Bellville, 7535
Cape Town
South Africa
Tel: +27 (0) 21 957 4900

Spain
Computacenter Services (Iberia) S.L.U.
Carrer de Sancho De Avila 52-58
08018 Barcelona
Spain
Tel: +34 936 207 000

Switzerland
Computacenter AG
Riedstrasse 14
CH-8953 Dietikon
Switzerland
Tel: +41 (0) 43 322 40 80

USA
Computacenter (US), Inc.
250 Pehle Avenue
Suite 311, Plaza One
Saddle Brook
NJ 07663
United States of America
Tel: +1 (201) 690-5237

fusionstorm
124 Grove Street Suite 311
Franklin
MA 02038
United States of America
Tel: +1 800-228-8324

Design and production:
Gather
+44 (0) 20 7610 6140
www.gather.london

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Computacenter is a leading independent technology partner, trusted by large corporate and public sector organisations. We help our customers to source, transform and manage their IT infrastructure to deliver digital transformation, enabling users and their business. Computacenter is a public company quoted on the London FTSE 250 (CCC.L) and employs over 15,000 people worldwide.

Computacenter plc
Hatfield Avenue, Hatfield, Hertfordshire AL10 9TW, United Kingdom

Tel: +44 (0) 1707 631000
www.computacenter.com