



## Final Results 2016

March 13, 2017  
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 Computacenter PLC  
 13 March 2017

### Computacenter plc

#### Final results for the year ended 31 December 2016

Computacenter plc ("Computacenter" or the "Group"), the independent provider of IT infrastructure and services that enables users and their business, today announces audited results for the year ended 31 December 2016.

| Financial Highlights   | 2016    | 2015    | Percentage<br>Change<br>Increase/<br>(Decrease) |
|--|---------|---------|---|
| <b>Financial Performance</b>   |         |         |   |
| Adjusted <sup>1</sup> revenue (£ million)                                    | 3,245.4 | 3,054.2 | 6.3   |
| Adjusted <sup>1</sup> profit before tax (£ million)                          | 86.4    | 86.9    | (0.6)   |
| Adjusted <sup>1</sup> diluted earnings per share (pence)                     | 54.0    | 53.4    | 1.1   |
| Dividend per share (pence)   | 22.2    | 21.4    | 3.7   |
| Statutory revenue (£ million)  | 3,245.4 | 3,057.6 | 6.1   |
| Statutory profit before tax (£ million)                                      | 87.1    | 126.8   | (31.3)  |
| Statutory diluted earnings per share (pence)                                 | 52.3    | 82.1    | (36.3)  |
| <b>Cash Position</b>   |         |         |   |
| Net funds <sup>3</sup> (£ million)   | 144.5   | 120.8   | 19.6  |
| Net cash flow from operating activities (£ million)                          | 68.2    | 94.3    | (27.7)  |
| <b>Revenue Performance by Sector</b>   |         |         |   |
| Adjusted <sup>1</sup> Services revenue (£ million)                           | 1,037.9 | 990.3   | 4.8   |
| Adjusted <sup>1</sup> Supply Chain revenue (£ million)                       | 2,207.5 | 2,063.9 | 7.0   |
| Statutory Services revenue (£ million)                                       | 1,037.9 | 990.5   | 4.8   |
| Statutory Supply Chain revenue (£ million)                                   | 2,207.5 | 2,067.1 | 6.8   |
| <b>Reconciliation between Adjusted<sup>1</sup> and Statutory Performance</b> |         |         |   |
| Adjusted <sup>1</sup> profit before tax (£ million)                          | 86.4    | 86.9    |   |

*Exceptional and other adjusting items:*

|  |              |       |
|--|--------------|-------|
| Exceptional gain on reversal of fair value adjustments (£ million)                         | <b>3.0</b>   | -     |
| Increase in costs of redundancy and other restructuring in the French business (£ million) | <b>(1.1)</b> | (1.5) |
| Exceptional (loss)/gain on disposal of a subsidiary (£ million)                            | <b>(0.5)</b> | 42.2  |
| Release of provision for onerous German contracts (£ million)                              | -            | 0.4   |
| Pre-disposal earnings of RDC in the year (£ million)                                       | -            | 0.3   |
| Amortisation of acquired intangibles (£ million)   | <b>(0.7)</b> | (1.5) |
| Statutory profit before tax (£ million)  | <b>87.1</b>  | 126.8 |

**Operational Highlights:**

- Record adjusted<sup>1</sup> diluted earnings per share (EPS) of 54.0 pence (2015: 53.4 pence), an increase of 1.1 per cent.
- The Group has reported annual Services revenues of over £1 billion for the first time in 2016.
- In the UK, strong second half revenue growth was unable to prevent a 1.1 per cent full year adjusted<sup>1</sup> revenue decline. Supply Chain margin challenges and Services revenue decline contributed to a 21.1 per cent reduction in adjusted<sup>1</sup> operating profit.
- Germany delivers another full year constant currency<sup>2</sup> revenue growth across both Supply Chain and Services, alongside a 15.4 per cent increase in adjusted<sup>1</sup> operating profit, also in constant currency<sup>2</sup>.
- France performs ahead of Management's expectation for 2016, with a £4.5 million increase in adjusted<sup>1</sup> operating profit to £2.9 million driven by continuing strength in Supply Chain margins.

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

'Whilst in 2016 we had record adjusted<sup>1</sup> diluted EPS, it was a year of mixed fortune with the UK business profitability reducing materially but the overall Group performance showing resilience due to the strength in Germany and the turnaround in France. The Group should have a year of progress in 2017, with a rebalancing of profits between the first and second halves of the year towards the historical pattern.

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

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

<sup>1</sup> *Adjusted revenue, adjusted Services revenue, adjusted Professional Services revenue, adjusted Supply Chain revenue, and adjusted administrative expenses excludes the revenue and administrative expenses from a disposed subsidiary, R.D. Trading Ltd (RDC), for the comparative reporting periods. RDC was sold on 2 February 2015.*

*Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Each of these measures also excludes the results of RDC for the comparative periods. Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale. A reconciliation between key adjusted and statutory measures is provided in the Group Finance Director's Review included within this announcement which details*

*the impact of Exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS. Further detail is also provided within note 4 to the summary financial information included within this announcement, Segment Information.*

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

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

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***DISCLAIMER - FORWARD-LOOKING STATEMENTS***

*This announcement includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'anticipates', 'believes', 'estimates', 'expects', 'intends', 'may', 'plans', 'projects', 'should' or 'will', or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding the 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 announcement. In addition, even if the results of operations and the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those risks in the risk factor section of the 2015 Annual Report and Accounts, as well as general economic and business conditions, industry trends, competition, changes in regulation, currency fluctuations or advancements in research and development.*

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

*Neither Computacenter plc nor any of its subsidiaries undertakes any obligation to update the forward-looking statements to*

*reflect actual results or any change in events, conditions or assumptions or other factors unless otherwise required by applicable law or regulation.*

## **LETTER FROM THE CHAIRMAN**

### **AN INTERESTING YEAR**

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

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

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

Please pay particular attention to our Remuneration Report, once published, and the link between the Company's performance and what our Executive Directors were paid. We seek to be a well-managed and conservative business, preferring to serve our customers and be measured by them, rather than seeking publicity directly.

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

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

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

**Greg Lock**  
**Chairman**

13 March 2017

## **OUR PERFORMANCE**

### **THE EFFECTS OF DIGITAL**

#### **FINANCIAL PERFORMANCE**

The Group's adjusted<sup>1</sup> revenues decreased by 0.5 per cent in constant currency<sup>2</sup> to £3,245.4 million, and increased by 6.3 per cent in actual currency<sup>2</sup> (2015: £3,054.2 million). The Group's statutory revenues increased by 6.1 per cent to £3,245.4 million (2015: £3,057.6 million) in actual currency<sup>2</sup>.

The Group's adjusted<sup>1</sup> profit before tax decreased by 4.3 per cent in constant currency<sup>2</sup> to £86.4 million, and by 0.6 per cent in actual currency<sup>2</sup> (2015: £86.9 million). In 2016, we saw another year of progress for the Group with adjusted<sup>1</sup> diluted earnings per

share, the Group's primary measure, increasing by 1.1 per cent to 54.0 pence. This is despite the fact that our 2015 results included a £3 million gain from the unusual timing of contract lifecycles which, as we highlighted in our 2015 Interim Report, would not repeat in future years.

The Group made a statutory profit before tax of £87.1 million, a decrease of 31.3 per cent in actual currency<sup>2</sup>, having been significantly assisted by a gain on the disposal of the Group's subsidiary, RDC, during 2015. This resulted in the Group's statutory diluted earnings per share decreasing by 36.3 per cent to 52.3 pence in 2016 (2015: 82.1 pence).

The significant decline in the value of sterling against most currencies during 2016, in particular the euro, has resulted in significant growth in actual currency<sup>2</sup> of our revenues and profitability as a result of the conversion of our foreign earnings. This has increased 2016 adjusted<sup>1</sup> profit before tax by circa £3.5 million. In 2015, the movement in the foreign exchange rates impacted earnings adversely by circa £2 million.

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

### **SERVICES PERFORMANCE**

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

The Group's adjusted<sup>1</sup> Services revenue decreased by 1.0 per cent on a constant currency<sup>2</sup> basis to £1,037.9 million, and was up by 4.8 per cent in actual currency<sup>2</sup> (2015: £990.3 million). The Group's statutory Services revenue increased by 4.8 per cent to £1,037.9 million (2015: £990.5 million) in actual currency<sup>2</sup>.

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

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

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

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

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

### **SUPPLY CHAIN PERFORMANCE**

The Group's adjusted<sup>1</sup> Supply Chain revenue was down by 0.3 per cent on a constant currency<sup>2</sup> basis at £2,207.5 million, and increased by 7.0 per cent in actual currency<sup>2</sup> (2015: £2,063.9 million). The Group's statutory Supply Chain revenue increased by 6.8 per cent to £2,207.5 million (2015: £2,067.1 million) in actual currency<sup>2</sup>.

Revenues for the UK Supply Chain business accelerated through the fourth quarter, to recover from the poor start to 2016. Whilst

still below Management's expectation for the year as a whole, this late strength was pleasing. Of concern was the continued significant pressure on margins within the UK, which impacted the overall result. These margin pressures have not been seen within our other geographies or within our competitors, and partly related to a different customer mix.

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

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

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

## **CASH**

The net funds<sup>3</sup> position of the Group strengthened by £23.7 million from £120.8 million at 31 December 2015 to £144.5 million at 31 December 2016.

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

## **DIVIDEND**

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

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

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

## **INVESTMENT**

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

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

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

## **OUTLOOK**

Whilst in 2016 we had record adjusted<sup>1</sup> diluted EPS, it was a year of mixed fortune with the UK business profitability reducing materially but the overall Group performance showing resilience due to the strength in Germany and the turnaround in France. The Group should have a year of progress in 2017, with a rebalancing of profits between the first and second halves of the year towards

the historical pattern.

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

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

**Mike Norris**  
**Chief Executive Officer**

13 March 2017

## **UNITED KINGDOM**

### **FINANCIAL PERFORMANCE**

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

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

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

### **SERVICES PERFORMANCE**

Adjusted<sup>1</sup> Services revenue declined by 7.6 per cent to £491.9 million (2015: £532.4 million), with revenue decreases of 5.5 per cent in Managed Services and 13.7 per cent in Professional Services. This reflected a lower than expected win rate across our Services business. However, retaining our existing customers is always a key focus and retention remained high. As signposted last year, the UK benefited by £3 million, both on a revenue and profitability basis, in 2015 from the unusual timing of contract lifecycles.

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

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

end user services.

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

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

### **SUPPLY CHAIN PERFORMANCE**

This was a year of two contrasting halves, with volumes and momentum clearly increasing over the summer and into the autumn, post the significant uncertainty and reduced confidence prior to the Referendum to leave the European Union in June 2016. Adjusted<sup>1</sup> Supply Chain revenue declined by 3.9 per cent in the first half, including circa £20 million of very low margin transactions. Pleasingly, the second half was stronger than the second half of 2015, with revenue growth of 9.2 per cent. This meant we saw growth of 2.8 per cent to £899.8 million for the year as a whole (2015: £875.0 million), following a flat performance in 2015. However, gross margins came under significant pressure throughout 2016, partly through customer mix and some decline in specific accounts.

**Kevin James**  
**Managing Director, UK**

13 March 2017

### **GERMANY**

#### **FINANCIAL PERFORMANCE**

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

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

Total revenue increased by 3.1 per cent on a constant currency<sup>2</sup> basis to €1,702.6 million (2015: €1,651.9 million), and by 16.1 per cent in actual currency<sup>2</sup>. Adjusted<sup>1</sup> operating profit for the German business increased by 15.4 per cent in constant currency<sup>2</sup> to €43.5 million (2015: €37.7 million), and by 29.6 per cent in actual currency<sup>2</sup>. Statutory profit before tax increased by 28.3 per cent in constant currency<sup>2</sup> to €46.2 million (2015: €36.0 million), and increased by 44.3 per cent in actual currency<sup>2</sup>.

#### **SERVICES PERFORMANCE**

Services revenue grew by 7.2 per cent in constant currency<sup>2</sup> to €560.1 million (2015: €522.5 million), and grew by 20.7 per cent in actual currency<sup>2</sup>. This included growth of 14.3 per cent in Professional Services and 4.4 per cent in Managed Services, both on a constant currency<sup>2</sup> basis.

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

During 2016, we took on 14 new contracts. Of these, three had significant cost overruns which are now behind us. While the vast

majority of in-life contracts are performing satisfactorily, we still have two problem contracts where we made losses in 2016 and took revenue recognition adjustments for future losses within operating costs. Both of these present a significant opportunity for improvement to the bottom line in 2017. The Managed Services pipeline remains strong, with some significant opportunities.

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

## **SUPPLY CHAIN PERFORMANCE**

The German Supply Chain business performed well in 2016, achieving revenue growth of 1.2 per cent on a constant currency<sup>2</sup> basis to €1,142.5 million (2015: €1,129.4 million), and 13.9 per cent in actual currency<sup>2</sup>. We benefited from a strong Security, Networking and Cloud business, which compensated for a decline in our Workplace business. Because we grew these businesses and managed margins properly, the overall growth in contribution from Supply Chain was strong.

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

**Reiner Louis**  
**Managing Director, Germany**

13 March 2017

## **FRANCE**

### **FINANCIAL PERFORMANCE**

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

Total revenue for the French business declined in constant currency<sup>2</sup> by 9.7 per cent to €495.0 million (2015: €548.1 million), and increased by 1.7 per cent in actual currency<sup>2</sup>. As in the previous year, this revenue reduction resulted from our decision to move the Supply Chain business away from high volume, low margin and working capital intensive activities. This improved product gross margins, which now lead Group standards.

During the year, the adjusted<sup>1</sup> operating loss evolved towards an adjusted<sup>1</sup> operating profit in constant currency<sup>2</sup> of €3.5 million (2015: loss of €2.2 million), an increase of €4.5 million in actual currency<sup>2</sup>. The statutory operating loss before tax, on a Segmental basis, also turned into a profit during the year increasing from a loss of €4.3 million in 2015 to a profit of €2.1 million in 2016 on a constant currency<sup>2</sup> basis, an increase of €4.8 million on an actual currency<sup>2</sup> basis.

### **SERVICES PERFORMANCE**

Services revenue decreased by 2.6 per cent in constant currency<sup>2</sup> to €84.5 million (2015: €86.8 million), and increased by 9.5 per cent in actual currency<sup>2</sup>.

We were pleased with the performance of our Managed Services business, which grew revenue by 1.5 per cent in constant currency<sup>2</sup>, and by 14.0 per cent in actual currency<sup>2</sup>. Our French Managed Services business is now taking full advantage of the standardised best practice approach offered by our GSD facilities, from the GSD centres in France, USA and Mexico. Despite this operational change, we have maintained overall customer satisfaction levels. This was confirmed in the IT outsourcing study from Whitelane Research Group. This study, that Whitelane performs for the industry as a whole, measured the performance of major

outsourcing providers in France. Computacenter France retained first place for customer satisfaction in end user Managed Services contracts.

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

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

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

### **SUPPLY CHAIN PERFORMANCE**

Despite 2016 revenue declining by 11.0 per cent in constant currency<sup>2</sup> to €410.5 million (2015: €461.3 million), and increasing by 0.2 per cent in actual currency<sup>2</sup>, we significantly improved the contribution from Supply Chain and continued to reduce the working capital utilised. We have achieved this improvement in three ways. First, our strategic choice to concentrate on large organisations in France is now fully in place. Second, we have completed the integration of the French business into the Group operating model, which gives the French business full access to an extended set of resources, tools and processes. Finally, we have continued to refine our governance process, resulting in a better understanding of both risks and opportunities for the bid teams.

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

### **COST BASE, STRATEGIC INITIATIVES AND OUTLOOK**

While performance significantly improved, administrative expenses rose in recognition of the increased variable commission and bonus paid along with enhanced 'interressement' costs within our employee profit-sharing scheme, increasing administrative expenses by 4.5 per cent in constant currency<sup>2</sup>, and by 17.5 per cent in actual currency<sup>2</sup>.

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

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

**Lieven Bergmans**  
**Managing Director, France**

13 March 2017

## **BELGIUM**

### **FINANCIAL PERFORMANCE**

The Group's Belgian business delivered a variable performance in 2016. It continued to generate solid top line growth, with total revenue increasing by 2.7 per cent in constant currency<sup>2</sup> to €69.4 million (2015: €67.6 million) and by 15.7 per cent in actual currency<sup>2</sup>. However, adjusted<sup>1</sup> operating profit decreased by 57.1 per cent in constant currency<sup>2</sup> to €1.2 million (2015: €2.8 million), and by 50.0 per cent in actual currency<sup>2</sup>. Statutory profit before tax was 60.0 per cent lower in constant currency<sup>2</sup> to €1.0 million (2015: €2.5 million), and 55.6 per cent lower in actual currency<sup>2</sup>.

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

important scale advantages which we can now deliver in our Belgian target market.

## **SERVICES PERFORMANCE**

In 2016, total Services revenue increased by 9.0 per cent in constant currency<sup>2</sup> to €23.1 million (2015: €21.2 million), and by 22.7 per cent in actual currency<sup>2</sup>. This increase was mainly driven by service extensions with existing customers, as well as by taking on a new Managed Services customer at the end of the year.

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

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

## **SUPPLY CHAIN PERFORMANCE**

Supply Chain revenue remained flat in constant currency<sup>2</sup> and amounted to €46.3 million (2015: €46.4 million), which was an increase of 12.5 per cent in actual currency<sup>2</sup>. Whilst competition remains strong in the local market, we continue to benefit from the loyalty of our customers and maintained our position in difficult economic conditions in Belgium, with a general slowdown in IT spend in the first half of the year.

**Jurgen Strijkers**  
**Managing Director, Belgium**

13 March 2017

## **GROUP FINANCE DIRECTOR'S REVIEW**

### **MAXIMISING SHAREHOLDER VALUE**

The Group saw a recovering performance in France and an improving Germany provide resilience to the Group result, which was adversely affected by a disappointing UK performance, more so in the first half of the year as we saw revenue growth in the second half of the year. The comparison with 2015 is difficult for both statutory and adjusted<sup>1</sup> profit before tax, due to significant one-off items as disclosed in the prior year, but performance of the business excluding these one-off items showed modest improvement in a year of significant underlying change. The Supply Chain business has had to quickly change focus from Workplace sales to the more complex Networking and Datacenter infrastructure, whilst the German Services business saw a busy period of contract take-on.

A reconciliation between key adjusted<sup>1</sup> and statutory measures is provided below. Further details are provided in note 4 to the summary financial information included within this announcement, Segment Information.

### **REVENUE**

Adjusted<sup>1</sup> revenue for the Group grew by 6.3 per cent to £3,245.4 million (2015: £3,054.2 million). On a constant currency<sup>2</sup> basis, turnover decreased by 0.5 per cent, reflecting the weakness of the pound sterling against all currencies, but primarily against the euro. Statutory revenue for the Group, including the results of RDC for January 2015, grew 6.1 per cent from £3,057.6 million to £3,245.4 million.

### **OPERATING PROFIT**

Adjusted<sup>1</sup> operating profit for the Group decreased 1.0 per cent to £86.2 million (2015: £87.1 million). On a constant currency<sup>2</sup> basis, the decrease was 4.9 per cent. The UK Segment saw a disappointing decrease of 21.1 per cent in adjusted<sup>1</sup> operating profit. The German Segment remained a key growth factor for the Group this year, with an increase in adjusted<sup>1</sup> operating profit of 15.4 per cent in constant currency<sup>2</sup> and 29.6 per cent in actual currency<sup>2</sup>. The French Segment returned to profitability, with an adjusted<sup>1</sup> operating profit in constant currency<sup>2</sup> of €3.5 million (2015: €2.2 million loss). The Group's statutory operating profit of £87.5 million was 2.7 per cent higher than the previous year (2015: £85.2 million).

### **PROFIT BEFORE TAX**

Adjusted<sup>1</sup> profit before tax decreased by 0.6 per cent from £86.9 million to £86.4 million, or 4.3 per cent in constant currency<sup>2</sup>. It should be noted that the comparative performance in 2015 benefited from a one-off gain of approximately £3 million, which, as we

explained in our 2015 Interim Report, was not expected to repeat in future years. Statutory profit before tax fell 31.3 per cent to £87.1 million (2015: £126.8 million), primarily due to the exceptional gain on disposal of RDC of £42.2 million that occurred in 2015.

### PROFIT FOR THE YEAR

The adjusted<sup>1</sup> profit for the year decreased 1.9 per cent to £65.8 million in actual currency<sup>2</sup> (2015: £67.1 million), and by 5.6 per cent in constant currency<sup>2</sup>. The statutory profit for the year decreased by £39.3 million to £63.8 million (2015: £103.1 million).

### RECONCILIATION FROM STATUTORY TO ADJUSTED<sup>1</sup> MEASURES FOR THE YEAR ENDED 2016

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

### RECONCILIATION FROM STATUTORY TO ADJUSTED<sup>1</sup> MEASURES FOR THE YEAR ENDED 2015

|                     | Statutory results<br>£'000 | Adjustments  |                       |                                      |                                  | Adjusted results<br>£'000 |
|---------------------|----------------------------|--------------|-----------------------|--------------------------------------|----------------------------------|---------------------------|
|                     |                            | RDC<br>£'000 | CSF interest<br>£'000 | Utilisation of deferred tax<br>£'000 | Exceptionals and others<br>£'000 |                           |
| <b>Revenue</b>      | <b>3,057,615</b>           | (3,448)      | -                     | -                                    | -                                | <b>3,054,167</b>          |
| Cost of sales       | (2,654,468)                | 2,773        | (340)                 | -                                    | -                                | (2,652,035)               |
| <b>Gross profit</b> | <b>403,147</b>             | (675)        | (340)                 | -                                    | -                                | <b>402,132</b>            |

|  |                |       |       |       |          |               |
|--|----------------|-------|-------|-------|----------|---------------|
| Administrative expenses  | (315,380)      | 355   | -     | -     | -        | (315,025)     |
| <b>Operating profit:</b>   |                |       |       |       |          |               |
| <b>Before amortisation of acquired intangibles and exceptional items</b> | <b>87,767</b>  | (320) | (340) | -     | -        | <b>87,107</b> |
| Amortisation of acquired intangibles                                     | (1,553)        | -     | -     | -     | 1,553    | -             |
| Exceptional items  | (1,029)        | -     | -     | -     | 1,029    | -             |
| <b>Operating profit</b>  | <b>85,185</b>  | (320) | (340) | -     | 2,582    | <b>87,107</b> |
|  |                |       |       |       |          |               |
| Exceptional gain on disposal of a subsidiary                             | 42,155         | -     | -     | -     | (42,155) | -             |
| Finance revenue  | 1,598          | -     | -     | -     | -        | 1,598         |
| Finance costs  | (2,171)        | -     | 340   | -     | -        | (1,831)       |
| <b>Profit before tax</b>   | <b>126,767</b> | (320) | -     | -     | (39,573) | <b>86,874</b> |
|  |                |       |       |       |          |               |
| <b>Income tax expense:</b>   |                |       |       |       |          |               |
| Before exceptional items   | (23,605)       | 72    | -     | 4,045 | (314)    | (19,802)      |
| Exceptional items  | (52)           | -     | -     | -     | 52       | -             |
| <b>Profit for the year</b>   | <b>103,110</b> | (248) | -     | 4,045 | (39,835) | <b>67,072</b> |

## UNITED KINGDOM

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

Adjusted<sup>1</sup> Supply Chain revenues increased 2.8 per cent, with strong growth through the fourth quarter after recovering from a poor start to the year. The Workplace PC market remains depressed but the business has continued to transition its focus through to our Datacenter and Networking business, which finished the year strongly. Our ability to remain agile in the marketplace allows us to respond to our customers' changing priorities.

Adjusted<sup>1</sup> Services revenues decreased 7.6 per cent during 2016. Within this, Managed Services revenue decreased 5.5 per cent, due to the lack of material wins towards the end of 2015 negatively impacting the Contract Base and due to the effect of continued pricing pressure on contract renewals.

Professional Services adjusted<sup>1</sup> revenue decreased 13.7 per cent during 2016. The previous year saw exceptional utilisation levels, with the UK central service engines at maximum capacity due to the volume of large Managed Services contract take-on driving growth. As the number and scope of take-on activities reduced during 2016, the Professional Services business was underutilised and with excess short and medium-term capacity. Resourcing levels have been readjusted through the year through natural attrition and contractor cessation, to enter 2017 more efficiently resourced.

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

Services reduced by 7.6 per cent due to the lack of significant Managed Services wins in 2015 which impacted both Managed Services and Professional Services revenues. The UK continues to operate within a margin range that leads the Group in efficiency of delivery on Managed Services customers and is also near the ceiling of what can be reasonably achieved, whilst delivering a premium customer user experience at a price that creates value. Total adjusted<sup>1</sup> gross profit in the UK has fallen from 15.4 per cent to 14.6 per cent of adjusted<sup>1</sup> revenue, due mainly to declining Supply Chain margins, and the impact of overcapacity due to a lower contribution from the central resource engines.

Adjusted<sup>1</sup> administrative expenses reduced by 0.8 per cent. Increasing salary costs were offset by a reduction in the performance bonus attributable to Management and employees, due to the nature of the local performance. The UK Segment continues to absorb the majority of the Group's investment costs through its Consolidated Income Statement. Where permissible, certain Group Management and Governance costs are recharged to other Group Segments. However, the UK Segment continues to incur the

majority of Senior Management and Group Governance costs due to the Group being UK domiciled.

Overall, this resulted in a 21.1 per cent decrease in adjusted<sup>1</sup> operating profit from £59.3 million to £46.8 million. However, it should be noted that the UK's 2015 profit also benefited by £3 million from the unusual timing of contract lifecycles, which was first disclosed in the 2015 Interim Report.

## **GERMANY**

German revenue built on the strong performance of 2015, increasing by 16.1 per cent in actual currency<sup>2</sup> during 2016 to £1,392.2 million (2015: £1,199.6 million). In constant currency<sup>2</sup>, revenue increased 3.1 per cent.

Supply Chain revenue growth in 2016 was 1.2 per cent on a constant currency<sup>2</sup> basis and 13.9 per cent in actual currency<sup>2</sup>, continuing the momentum seen in 2015. The performance through the middle two quarters of the year gave hope of an even stronger performance, but growth plateaued towards the end of the fourth quarter. Whilst the growth was steady overall, the customer-driven switch away from Workplace solutions towards Security, Networking and Cloud infrastructure created some portfolio volatility. The business managed these changes successfully, to achieve the margin increases expected with the move towards more complex infrastructure sales and achieve an overall contribution increase.

Services revenues were stronger, with 7.2 per cent growth in 2016 on a constant currency<sup>2</sup> basis and an increase of 20.7 per cent in actual currency<sup>2</sup>, with both Professional Services and Managed Services delivering strong performances.

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

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

Given the challenges in managing the change in focus of the Supply Chain business away from Workplace and towards more complex infrastructure, the business was pleased to achieve a substantial increase in margins through the year. Given the strong growth within both Professional Services and Managed Services revenue, and the less than desirable performance of a number of Managed Services contracts, the slight reduction in Services margin was an acceptable performance. There is some disappointment in knowing what could have been achieved without the difficulties certain contracts experienced, which indicates the continuing room for improvement in German Services margin performance. Overall adjusted<sup>1</sup> gross profit margin within the German business increased from 12.3 per cent in 2015 to 12.6 per cent in 2016, with increasing Supply Chain margins being slightly diluted by the Services margin performance.

Administrative expenses increased by 3.4 per cent in constant currency<sup>2</sup> and by 16.5 per cent in actual currency<sup>2</sup>, as the business experienced increasing challenges in skilled resource recruitment and higher bonuses paid as a reflection of the overall performance. The German Segment adjusted<sup>1</sup> operating profit increased by 29.6 per cent from £27.4 million to £35.5 million in actual currency<sup>2</sup>, which was an increase of 15.4 per cent in constant currency<sup>2</sup>.

## **FRANCE**

Revenue in the French Segment increased by 1.7 per cent to £404.7 million (2015: £398.1 million) during 2016 but declined by 9.7 per cent in constant currency<sup>2</sup>, due primarily to the continued deliberate contraction of the Supply Chain business. Supply Chain revenue decreased by 11.0 per cent on a constant currency<sup>2</sup> basis and increased by 0.2 per cent in actual currency<sup>2</sup>. Management's strategy over the last three years has been to reposition the Supply Chain business away from low-margin, high working capital intensive activities, and to only serve the Group's core target market of large customers. This strategy is nearly complete and, other factors being constant, we feel we are nearing the bottom of the revenue performance readjustment cycle. After reducing the core portfolio of customers, the business is now concentrating on growing this refocused target market to reduce dependencies on several large customers that are now responsible for significant volumes and margins. Services revenues reduced by 2.6 per cent during 2016 in constant currency<sup>2</sup> and increased by 9.5 per cent in actual currency<sup>2</sup>. Whilst Professional Services volumes continued to decline and further exacerbated the levels of utilisation and over-resourcing in this area, the Managed Services

business saw encouraging signs of growth. Several important new contract wins and a more positive pipeline provide some encouragement, albeit tempered by several Managed Services contracts that are up for renewal in 2017 that are critical to the Group overall.

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

Administrative expenses increased by 4.5 per cent on a constant currency<sup>2</sup> basis and by 17.5 per cent in actual currency<sup>2</sup>. This increase was driven by non-exceptional restructuring costs alongside increased variable bonus, commission and 'interressement' costs, largely contributing to, or driven by, the increased performance of the business. As indicated in our 2016 Interim Report, an additional cost of £1.1 million in strategic restructuring has been recorded as an exceptional item in 2016.

Overall, the French adjusted<sup>1</sup> operating profit increased from a loss in actual currency<sup>2</sup> of £1.6 million in 2015 to a profit of £2.9 million in 2016, materially improving the overall performance of the Group.

## **BELGIUM**

Revenue increased by 15.7 per cent to £56.8 million (2015: £49.1 million) in actual currency<sup>2</sup> and increased by 2.7 per cent in constant currency<sup>2</sup>.

Supply Chain revenue was flat on a constant currency<sup>2</sup> basis and increased by 12.5 per cent in actual currency<sup>2</sup>, in an environment of increasing competition and slowing IT spend, due to local economic difficulties.

Services revenue increased by 9.0 per cent on a constant currency<sup>2</sup> basis during 2016, which was an increase of 22.7 per cent in actual currency<sup>2</sup>. In 2015, the business adopted a strategy to renew existing contracts to underpin the Contract Base, albeit at reduced overall ACV reflecting shared contract efficiencies made for these long-term customers. This strategy has been validated, with a number of in-life contract scope extensions increasing the overall volumes seen. The take-on of a significant new customer during 2016, and the win towards the end of the year of another major customer, should sustain growth into 2017.

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

Administrative expenses increased 35.6 per cent in constant currency<sup>2</sup> and by 51.2 per cent in actual currency<sup>2</sup>, primarily due to continuing costs as the business moved fully onto the Group ERP system and the Group Operating Model that it underpins. These costs include strategic local investments, to provide the scale to fully benefit from leveraging Group expertise.

Overall there has been a 50.0 per cent decrease in adjusted<sup>1</sup> operating profit, from £2.0 million in 2015 to £1.0 million in 2016, which was a 57.1 per cent decrease in constant currency<sup>2</sup>.

## **ADJUSTED<sup>1</sup> REVENUE**

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

## **ADJUSTED<sup>1</sup> PROFIT BEFORE TAX**

|             | Half 1      |             | Half 2      |             | Total       |             |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|             | £m          | % Revenue   | £m          | % Revenue   | £m          | % Revenue   |
| 2014        | 25.6        | 1.8%        | 55.5        | 3.4%        | 81.1        | 2.6%        |
| 2015        | 29.1        | 2.0%        | 57.8        | 3.6%        | 86.9        | 2.8%        |
| <b>2016</b> | <b>25.3</b> | <b>1.7%</b> | <b>61.1</b> | <b>3.5%</b> | <b>86.4</b> | <b>2.7%</b> |
| 2016/15     | (13.1%)     |             | 5.7%        |             | (0.6%)      |             |

#### ADJUSTED<sup>1</sup> REVENUE BY COUNTRY

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

#### ADJUSTED<sup>1</sup> OPERATING PROFIT BY COUNTRY

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

|         | 2015   |           |        |           |       |           |
|---------|--------|-----------|--------|-----------|-------|-----------|
|         | Half 1 |           | Half 2 |           | Total |           |
|         | £m     | % Revenue | £m     | % Revenue | £m    | % Revenue |
| UK      | 22.9   | 3.3%      | 36.4   | 5.1%      | 59.3  | 4.2%      |
| Germany | 8.5    | 1.6%      | 18.9   | 2.8%      | 27.4  | 2.3%      |
| France  | (3.0)  | (1.6%)    | 1.4    | 0.7%      | (1.6) | (0.4%)    |
| Belgium | 1.1    | 4.6%      | 0.9    | 3.6%      | 2.0   | 4.1%      |
| Total   | 29.5   | 2.1%      | 57.6   | 3.6%      | 87.1  | 2.9%      |

#### CUSTOMER-SPECIFIC FINANCING

In certain circumstances, the Group enters into customer contracts that are financed by leases or loans. The leases are secured only on the assets that they finance. Whilst the outstanding balance of customer-specific financing (CSF) is included within net funds<sup>3</sup> for statutory reporting purposes, this balance is offset by contracted future receipts from customers. Computacenter retains the credit risk on these customers and ensures that credit risk is only taken on customers with a strong credit rating.

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

## NET FINANCE INCOME

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

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

On an adjusted<sup>1</sup> basis, prior to interest on CSF, net finance income was £0.3 million in 2016 (2015: expense of £0.2 million).

## TAXATION

The adjusted<sup>1</sup> tax charge on ordinary activities was £20.6 million (2015: £19.8 million), on an adjusted<sup>1</sup> profit before tax of £86.4 million (2015: £86.9 million). The Effective Tax Rate (ETR) was 23.8 per cent (2015: 22.8 per cent). The 2016 ETR is higher than the previous year, primarily due to increasing cash tax in Germany as the historical tax losses readily available for use expire. The ETR is lower than Management's expectations, due to a change in the geographic split of adjusted<sup>1</sup> profit before tax, with France's return to profit being the primary driver.

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

The Group's adjusted<sup>1</sup> tax rate continues to benefit from losses utilised on earnings in Germany and also from the reducing corporation tax rate in the UK. As the German tax losses continue to be utilised, the deferred tax asset, previously recognised as an exceptional tax item, is no longer replenishing. The utilisation of the asset impacts the statutory tax rate but is considered to be outside of our adjusted<sup>1</sup> tax measure. In 2016, this impact increased the statutory tax rate by 3.0 per cent.

From 2017 onwards the Group expects an increasing adjusted<sup>1</sup> tax rate, as the impact of the German loss utilisation manifests itself through an increasing cash tax payment. In 2017, the German statutory ETR is expected to increase to circa 28 per cent from circa 26 per cent in 2016, then increase to and settle at circa 32 per cent in 2018, with a direct effect on the Group adjusted<sup>1</sup> ETR. At 2016 levels of profitability, the increase in German cash tax would raise the Group adjusted<sup>1</sup> ETR from 23.8 per cent in 2016 to circa 28 per cent by 2019, without regard to other factors that could influence the Group's adjusted<sup>1</sup> ETR.

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

The table below reconciles the statutory tax charge to the adjusted<sup>1</sup> tax charge for the year ended 31 December 2016.

|                             | 2016<br>£'000 | 2015<br>£'000 |
|-----------------------------|---------------|---------------|
| <b>Statutory tax charge</b> | <b>23,300</b> | 23,658        |
| Adjustments to exclude:     |               |               |

|   |               |         |
|---|---------------|---------|
| Utilisation of German deferred tax assets   | (2,580)       | (4,045) |
| Tax on amortisation of acquired intangibles | 72            | 314     |
| Tax on exceptional items                    | (192)         | (52)    |
| RDC   | -             | (71)    |
| <b>Adjusted<sup>1</sup> tax charge</b>      | <b>20,600</b> | 19,804  |
| <b>Statutory ETR</b>                        | <b>26.8%</b>  | 18.7%   |
| <b>Adjusted<sup>1</sup> ETR</b>             | <b>23.8%</b>  | 22.8%   |

#### EXCEPTIONAL ITEMS

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

The most significant item within exceptional items during 2016 was the £3.0 million release of historical fair value adjustments made on the 2009 acquisition of becom Informationssysteme GmbH (becom). This followed the final payment of the contingent consideration to the vendor during 2016. For further information, refer to note 5 to the summary financial information included within this announcement. Due to the materiality and nature of the item, Management decided to classify this one-off gain as exceptional.

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

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

#### EARNINGS PER SHARE

Adjusted<sup>1</sup> diluted earnings per share increased slightly from 53.4 pence in 2015 to 54.0 pence in 2016, due to a lower weighted average number of shares. The statutory diluted earnings per share decreased from 82.1 pence in 2015 to 52.3 pence in 2016, primarily driven by the impact of the gain on disposal of RDC in 2015.

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

|  |             |      |
|--|-------------|------|
| Adjusted <sup>1</sup> basic earnings per share (pence)   | <b>54.6</b> | 54.6 |
| Adjusted <sup>1</sup> diluted earnings per share (pence) | <b>54.0</b> | 53.4 |

## DIVIDENDS

The Board has consistently applied the Company's dividend policy, which states that the total dividend paid will result in a dividend cover of 2 to 2.5 times by adjusted<sup>1</sup> diluted earnings per share. In 2016, the cover was 2.4 times (2015: 2.5 times).

The Group remains highly cash generative and net funds<sup>3</sup> continue to build on the Consolidated Balance Sheet. Computacenter's approach to capital management is to ensure that the Group has a robust capital base and to maintain a strong credit rating, whilst aiming to maximise shareholder value. If further funds are not required to be available for investment within the business, either for fixed assets or working capital support, and the distributable reserves are available in the Parent Company, we will aim to return the additional cash to investors through one-off returns of value. Dividends are paid from the standalone Balance Sheet of the Parent Company, and as at 31 December 2016, the distributable reserves were approximately £262.5 million (2015: £166.7 million).

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

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

## NET FUNDS

Net funds<sup>3</sup> increased from £120.8 million at the end of 2015 to £144.5 million as at 31 December 2016.

The Group had no material borrowings.

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

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

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

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

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

At 31 December 2016 the Group had interest-bearing trade payables of £13.3 million (2015: nil) where we have taken advantage of supplier extended payment-term credit facilities within the UK. This was a short term position taken to provide additional operational payment flexibility and was closed out immediately after balance sheet date. The interest bearing extended-term payable balances remain classified within trade payables, and are therefore net funds<sup>3</sup> enhancing, at 31 December 2016.

The Group's net funds<sup>3</sup> position takes account of current asset investments of £30 million (2015: £15 million). Net funds<sup>3</sup> excluding CSF increased from £126.7 million to £148.4 million by the end of the year.

## FINANCIAL INSTRUMENTS

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

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

#### **Interest rate risk**

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

#### **Liquidity risk**

The Group's policy is to ensure that it has sufficient funding and facilities in place to meet any foreseeable peak in borrowing requirements. The Group's positive net funds<sup>3</sup> position was maintained throughout 2016, and at year end was £148.4 million excluding CSF, and £144.5 million including CSF. Due to strong cash generation over the past three years, the Group is currently in a position where it can finance its requirements from its cash balance, and the Group operates an informal cash pooling arrangement for the majority of Group entities. During 2015, the Group extended an existing specific committed facility of £40.0 million for a three-year term through to February 2018.

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

#### **Foreign currency risk**

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

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

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

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

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

The Group reports its results in pounds sterling. The weakening of sterling, particularly against the euro, positively impacted 2016 adjusted<sup>1</sup> operating profit by circa £3.5 million.

#### **Credit risk**

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

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

## GOING CONCERN

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

## Fair balanced and understandable

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

**Tony Conophy**  
Group Finance Director

13 March 2017

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

|  | Note | 2016<br>£'000      | 2015<br>£'000 |
|--|------|--------------------|---------------|
| <b>Revenue</b>   | 4    | <b>3,245,397</b>   | 3,057,615     |
| Cost of sales  |      | <b>(2,817,350)</b> | (2,654,468)   |
| <b>Gross profit</b>  |      | <b>428,047</b>     | 403,147       |
| Administrative expenses  |      | <b>(341,668)</b>   | (315,380)     |
| <b>Operating profit:</b>   |      |                    |               |
| <b>Before amortisation of acquired intangibles and exceptional items</b> |      | <b>86,379</b>      | 87,767        |
| Amortisation of acquired intangibles                                     |      | <b>(710)</b>       | (1,553)       |
| Exceptional items  | 5    | <b>1,876</b>       | (1,029)       |
| <b>Operating profit</b>  |      | <b>87,545</b>      | 85,185        |
| Exceptional (loss)/gain on disposal of a subsidiary                      | 5    | <b>(522)</b>       | 42,155        |
| Finance revenue  |      | <b>1,629</b>       | 1,598         |
| Finance costs  |      | <b>(1,579)</b>     | (2,171)       |
| <b>Profit before tax</b>   |      | <b>87,073</b>      | 126,767       |
| <b>Income tax expense:</b>   |      |                    |               |
| Before exceptional items   |      | <b>(23,108)</b>    | (23,605)      |
| Exceptional items  | 5    | <b>(192)</b>       | (52)          |
| Income tax expense   | 6    | <b>(23,300)</b>    | (23,657)      |
| <b>Profit for the year</b>   |      | <b>63,773</b>      | 103,110       |
| <b>Attributable to:</b>  |      |                    |               |
| Equity holders of the parent   |      | <b>63,773</b>      | 103,110       |
| <b>Profit for the year</b>   |      | <b>63,773</b>      | 103,110       |

|                            |   |              |       |
|----------------------------|---|--------------|-------|
| <b>Earnings per share:</b> |   |              |       |
| - basic                    | 7 | <b>52.9p</b> | 83.9p |
| - diluted                  | 7 | <b>52.3p</b> | 82.1p |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

|   | <b>2016</b>   | <b>2015</b>  |
|---|---------------|--------------|
|   | <b>£'000</b>  | <b>£'000</b> |
| Profit for the year   | <b>63,773</b> | 103,110      |
| Items that may be reclassified to consolidated income statement                             |               |              |
| Gain arising on cash flow hedge, net of amount transferred to consolidated income statement | <b>5,353</b>  | 1,191        |
| Income tax effect   | <b>(879)</b>  | (244)        |
|   | <b>4,474</b>  | 947          |
| Exchange differences on translation of foreign operations                                   | <b>29,374</b> | (7,783)      |
|   | <b>33,848</b> | (6,836)      |
| Items not to be reclassified to consolidated income statement:                              |               |              |
| Remeasurement of defined benefit plan   | <b>(710)</b>  | 24           |
| Other comprehensive income for the year, net of tax   | <b>33,138</b> | (6,812)      |
| Total comprehensive income for the year   | <b>96,911</b> | 96,298       |
| <b>Attributable to:</b>   |               |              |
| Equity holders of the parent  | <b>96,909</b> | 96,299       |
| Non-controlling interests   | <b>2</b>      | (1)          |
|   | <b>96,911</b> | 96,298       |

## CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

|                               | <b>2016</b>    | <b>2015</b>  |
|-------------------------------|----------------|--------------|
|                               | <b>£'000</b>   | <b>£'000</b> |
| <b>Non-current assets</b>     |                |              |
| Property, plant and equipment | <b>63,020</b>  | 57,132       |
| Investment property           | <b>10,033</b>  | 10,260       |
| Intangible assets             | <b>76,285</b>  | 81,533       |
| Investment in associate       | <b>55</b>      | 40           |
| Deferred income tax asset     | <b>10,537</b>  | 12,840       |
|                               | <b>159,930</b> | 161,805      |
| <b>Current assets</b>         |                |              |
| Inventories                   | <b>44,015</b>  | 45,647       |
| Trade and other receivables   | <b>740,371</b> | 621,756      |
| Prepayments                   | <b>58,959</b>  | 44,735       |
| Accrued income                | <b>80,554</b>  | 61,785       |

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Derivative financial instruments | 8,127            | 2,220            |
| Current asset investments        | 30,000           | 15,000           |
| Cash and short-term deposits     | 118,676          | 111,770          |
|                                  | 1,080,702        | 902,913          |
| <b>Total assets</b>              | <b>1,240,632</b> | <b>1,064,718</b> |
|                                  |                  |                  |
| <b>Current liabilities</b>       |                  |                  |
| Trade and other payables         | 679,538          | 581,855          |
| Deferred income                  | 102,112          | 93,861           |
| Financial liabilities            | 2,352            | 4,279            |
| Derivative financial instruments | 273              | 922              |
| Income tax payable               | 17,410           | 10,981           |
| Provisions                       | 3,075            | 4,050            |
|                                  | 804,760          | 695,948          |
| <b>Non-current liabilities</b>   |                  |                  |
| Financial liabilities            | 1,832            | 1,703            |
| Provisions                       | 5,732            | 5,094            |
| Deferred income tax liabilities  | 341              | 523              |
|                                  | 7,905            | 7,320            |
| <b>Total liabilities</b>         | <b>812,665</b>   | <b>703,268</b>   |
| <b>Net assets</b>                | <b>427,967</b>   | <b>361,450</b>   |
|                                  |                  |                  |
| <b>Capital and reserves</b>      |                  |                  |
| Issued share capital             | 9,299            | 9,297            |
| Share premium                    | 3,913            | 3,830            |
| Capital redemption reserve       | 74,957           | 74,957           |
| Own shares held                  | (12,115)         | (10,571)         |
| Translation and hedging reserves | 22,685           | (11,161)         |
| Retained earnings                | 329,214          | 295,086          |
| <b>Shareholders' equity</b>      | <b>427,953</b>   | <b>361,438</b>   |
| Non-controlling interests        | 14               | 12               |
| <b>Total equity</b>              | <b>427,967</b>   | <b>361,450</b>   |

Approved by the Board on 13 March 2017

MJ Norris                      FA Conophy  
Chief Executive Officer      Group Finance Director

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

|                   | Attributable to equity holders of the parent |                           |   |                                |  |                               | Total<br>£'000 | Non-<br>controlling<br>interests<br>£'000 | Total<br>equity<br>£'000 |
|-------------------|--|---------------------------|---|--------------------------------|--|-------------------------------|----------------|---|--------------------------|
|                   | Issued<br>share<br>capital<br>£'000          | Share<br>premium<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Own<br>shares<br>held<br>£'000 | Translation<br>and<br>hedging<br>reserves<br>£'000 | Retained<br>earnings<br>£'000 |                |   |                          |
| At 1 January 2016 | 9,297  | 3,830                     | 74,957                                    | (10,571)                       | (11,161)   | 295,086                       | 361,438        | 12  | 361,450                  |

|                                    |              |              |               |                 |                 |                |                |           |                |
|------------------------------------|--------------|--------------|---------------|-----------------|-----------------|----------------|----------------|-----------|----------------|
| Profit for the year                | -            | -            | -             | -               | -               | 63,773         | 63,773         | -         | 63,773         |
| Other comprehensive income         | -            | -            | -             | -               | 33,846          | (710)          | 33,136         | 2         | 33,138         |
| Total comprehensive income         | -            | -            | -             | -               | 33,846          | 63,063         | 96,909         | 2         | 96,911         |
| Cost of share-based payments       | -            | -            | -             | -               | -               | 3,345          | 3,345          | -         | 3,345          |
| Tax on share-based payments        | -            | -            | -             | -               | -               | 236            | 236            | -         | 236            |
| Exercise of options                | -            | -            | -             | 7,449           | -               | (5,714)        | 1,735          | -         | 1,735          |
| Issue of shares                    | 2            | 83           | -             | -               | -               | -              | 85             | -         | 85             |
| Purchase of own shares             | -            | -            | -             | (8,993)         | -               | -              | (8,993)        | -         | (8,993)        |
| Equity dividends                   | -            | -            | -             | -               | -               | (26,802)       | (26,802)       | -         | (26,802)       |
| <b>At 31 December 2016</b>         | <b>9,299</b> | <b>3,913</b> | <b>74,957</b> | <b>(12,115)</b> | <b>22,685</b>   | <b>329,214</b> | <b>427,953</b> | <b>14</b> | <b>427,967</b> |
| <b>At 1 January 2015</b>           | <b>9,283</b> | <b>4,597</b> | <b>74,957</b> | <b>(10,760)</b> | <b>(4,326)</b>  | <b>311,648</b> | <b>385,399</b> | <b>13</b> | <b>385,412</b> |
| Profit for the year                | -            | -            | -             | -               | -               | 103,110        | 103,110        | -         | 103,110        |
| Other comprehensive income         | -            | -            | -             | -               | (6,835)         | 24             | (6,811)        | (1)       | (6,812)        |
| Total comprehensive income         | -            | -            | -             | -               | (6,835)         | 103,134        | 96,299         | (1)       | 96,298         |
| Cost of share-based payments       | -            | -            | -             | -               | -               | 4,670          | 4,670          | -         | 4,670          |
| Tax on share-based payments        | -            | -            | -             | -               | -               | 1,659          | 1,659          | -         | 1,659          |
| Exercise of options                | -            | -            | -             | 9,967           | -               | (4,635)        | 5,332          | -         | 5,332          |
| Return of Value (RoV)              | -            | -            | -             | -               | -               | (97,916)       | (97,916)       | -         | (97,916)       |
| Expenses on RoV                    | -            | (753)        | -             | -               | -               | -              | (753)          | -         | (753)          |
| Issues of B shares relating to RoV | 14           | (14)         | -             | -               | -               | -              | -              | -         | -              |
| Purchase of own shares             | -            | -            | -             | (9,778)         | -               | -              | (9,778)        | -         | (9,778)        |
| Equity dividends                   | -            | -            | -             | -               | -               | (23,474)       | (23,474)       | -         | (23,474)       |
| <b>At 31 December 2015</b>         | <b>9,297</b> | <b>3,830</b> | <b>74,957</b> | <b>(10,571)</b> | <b>(11,161)</b> | <b>295,086</b> | <b>361,438</b> | <b>12</b> | <b>361,450</b> |

**CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2016

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| <b>Operating activities</b>                   |               |               |
| Profit before tax                             | 87,073        | 126,767       |
| Net finance (income)/ costs                   | (50)          | 573           |
| Depreciation of property, plant and equipment | 15,631        | 18,885        |
| Depreciation of investment property           | 227           | 227           |
| Amortisation of intangible assets             | 13,197        | 13,311        |
| Share-based payments                          | 3,345         | 4,670         |

|   |                 |                  |
|---|-----------------|------------------|
| Loss on disposal of property, plant and equipment               | 168             | 388              |
| Loss on disposal of intangibles                                 | 25              | 9                |
| Exceptional loss/(gain) from disposal of a subsidiary           | 522             | (42,155)         |
| Net cash flow from inventories                                  | 7,185           | (4,530)          |
| Net cash flow from trade and other receivables                  | (73,980)        | 46,023           |
| Net cash flow from trade and other payables                     | 31,377          | (43,073)         |
| Net cash flow from provisions                                   | (2,149)         | (8,009)          |
| Other adjustments   | 374             | (137)            |
| Cash generated from operations                                  | 82,945          | 112,949          |
| Income taxes paid   | (14,711)        | (18,611)         |
| <b>Net cash flow from operating activities</b>                  | <b>68,234</b>   | <b>94,338</b>    |
|   |                 |                  |
| <b>Investing activities</b>                                     |                 |                  |
| Interest received   | 1,629           | 1,598            |
| Increase in current asset investments                           | (15,000)        | (15,000)         |
| Proceeds from disposal of a subsidiary, net of cash disposed of | (319)           | 56,145           |
| Proceeds from disposal of property, plant and equipment         | 112             | 653              |
| Purchases of property, plant and equipment                      | (17,641)        | (13,303)         |
| Purchases of intangible assets                                  | (4,943)         | (7,294)          |
| <b>Net cash flow from investing activities</b>                  | <b>(36,162)</b> | <b>22,799</b>    |
|   |                 |                  |
| <b>Financing activities</b>                                     |                 |                  |
| Interest paid   | (1,579)         | (2,171)          |
| Dividends paid to equity shareholders of the parent             | (26,802)        | (23,474)         |
| Return of Value   | -               | (97,916)         |
| Expenses on Return of Value                                     | -               | (753)            |
| Proceeds from share issues                                      | 1,820           | 5,332            |
| Purchase of own shares  | (8,993)         | (9,778)          |
| Repayment of capital element of finance leases                  | (2,679)         | (3,223)          |
| Repayment of loans  | (1,101)         | (1,713)          |
| New borrowings  | 1,512           | 1,030            |
| <b>Net cash flow from financing activities</b>                  | <b>(37,822)</b> | <b>(132,666)</b> |
|   |                 |                  |
| <b>Decrease in cash and cash equivalents</b>                    | <b>(5,750)</b>  | <b>(15,529)</b>  |
| Effect of exchange rates on cash and cash equivalents           | 12,746          | (1,937)          |
| Cash and cash equivalents at the beginning of the year          | 111,680         | 129,146          |
| <b>Cash and cash equivalents at the year end</b>                | <b>118,676</b>  | <b>111,680</b>   |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 DECEMBER 2016

**1 AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS**

The Consolidated Financial Statements of Computacenter plc (Parent Company or the Company) and its subsidiaries (the Group) for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 13 March 2017. The Consolidated Balance Sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the Financial Statements of the Group for the year ended 31 December 2016 and applied in accordance with the Companies Act 2006.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these Consolidated Financial Statements are consistent with those followed in the preparation of the Consolidated Financial Statements for the year ended 31 December 2016, except for the adoption of new and amended IFRS that are applicable to the Group for the year ended 31 December 2016. Adoption of these standards did not have any effect on the financial performance or position of the Group. They may however give rise to additional disclosures.

The other pronouncements which came into force during the year were not relevant to the Group.

The following new or revised standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in years beginning after 31 December 2016.

Effective for the year ending 31 December 2017

IAS 16 and IAS 38 Amendments relating to Clarification of Acceptable Methods of Depreciation and Amortisation.

IAS 27 Amendments relating to Equity Method in Separate Financial Statements.

IFRS 10 and IAS 28 Amendments relating to Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. IFRS 11 Amendments relating to Acquisitions of Interests in Joint Operations.

Effective for the year ending 31 December 2018

IFRS 15 Revenue from Contracts with Customers (IFRS 15).

IFRS 9 Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.

Effective for the year ending 31 December 2019

IFRS 16 Leases.

Management's assessment of the impact and accepted best practice is ongoing. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts. With the exception of IFRS 15 and IFRS 16, it is not anticipated that the adoption of these standards and interpretations will have a material impact on the Group's Financial Statements.

Management is currently assessing the implication of IFRS 16 on the Group Financial Statements but has not yet formed a conclusion.

IFRS 15, Revenue from Contracts with Customers, becomes effective for the Group on 1 January 2018. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognised at the date of initial application (the cumulative catch-up transition method).

The Group is currently performing a detailed analysis of the impact of IFRS 15 on its business. The preliminary analysis has identified various areas in which adjustments may be required in revenue and cost recognition and in the related procedures and processes. The most significant of these is expected to be that some of our Supply Chain revenue, which has previously been presented gross, will be presented net under IFRS 15 as 'agency' revenue. This change is likely to impact our Software sales and certain Resold Services, which contributed £337 million and £298 million to the Group's gross revenue in 2016 respectively.

Additional areas of difference identified include:

- the method in which we recognise revenue over time on some of our Managed Services and Professional Services contracts may need to change, for example to utilise output-driven as opposed to input-driven methods to determine the amount of revenue to be recognised, or to recognise revenue upon achievement of certain performance milestones in the contracts;
- the identification and recognition of revenue for separate, distinct performance obligations in our Professional Services contracts may change, for example in areas such as Transition and Transformation; and
- certain costs, such as win fees (a form of commission), may need to be capitalised and spread over the life of the contract, as opposed to being expensed as incurred.

The impact of these items, individually or in aggregate, may be material to the revenue and profits in any given financial year, however there will be no impact on cash in any given financial year nor is there expected to be any ultimate long-term impact

on the cumulative profits of the Group. The Group's IFRS 15 impact assessment and implementation work remains ongoing, alongside a quantification exercise which is expected to be finalised during the year ending 31 December 2017.

## **2.1. Basis of preparation**

The summary financial information set out above does not constitute the Group's statutory Consolidated Financial Statements for the years ended 31 December 2016 or 2015. Statutory Consolidated Financial Statements for the Group for the year ended 31 December 2015, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies and those for 2016 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of any emphasis without qualifying their opinion and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The summary financial information for the year ended 31 December 2016 has been prepared by the directors based upon the results and position that are reflected in the Consolidated Financial Statements of the Group.

The Consolidated Financial Statements are prepared on the historical cost basis other than derivative financial instruments, which are stated at fair value.

The Consolidated Financial Statements are presented in Pounds Sterling (£) and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

## **2.2. Basis of consolidation**

The Consolidated Financial Statements comprise the Financial Statements of Computacenter plc and its subsidiaries as at 31 December each year. The Financial Statements of subsidiaries are prepared for the same reporting year as the Parent Company, using existing GAAP in each country of operation. Adjustments are made on consolidation for differences that may exist between the respective local GAAPs and IFRS.

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control. Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the Consolidated Balance Sheet, separately from parent shareholders equity.

### **2.2.1. Foreign currency translation**

The Group's presentation currency is Pounds Sterling (£). Each entity in the Group determines its own functional currency and items included in the Financial Statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Consolidated Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

The functional currencies of the material overseas subsidiaries are Euro (€), US Dollar (US\$), South African Rand (ZAR) and Swiss Franc (CHF). As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the Balance Sheet date and their Income Statements are translated at the average exchange rates for the year. Exchange differences arising on the retranslation are recognised in the Consolidated Statement of Comprehensive Income. On disposal of a foreign entity, the deferred cumulative amount recognised in the Consolidated Statement of Comprehensive Income relating to that particular foreign operation is recognised in the Consolidated Income Statement.

## **2.3. Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts and rebates given to customers, VAT and other sales tax or duty. In contracts with customers, where more than one good (Supply Chain) or service (Professional Services or Managed Services) is provided to the customer, consideration is allocated between Supply Chain, Professional Services and Managed Services using relative fair value principal. The following specific recognition criteria must also be met before revenue is recognised:

### **2.3.1. Supply Chain**

The Group supplies hardware and software (together as 'goods') to customers that is sourced from and delivered by a number of suppliers.

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

### **2.3.2. Professional Services**

The Group provides skilled professionals to customers either on a 'resource on demand' basis where the revenue is billed on a timesheet basis, or operating within a project framework where revenue is recognised with reference to the costs incurred as a proportion of the total estimated costs (percentage of completion basis) of the contract. Unbilled revenue is recognised within accrued income. If the total estimated costs and revenues of a contract cannot be reliably estimated, revenue is recognised only to the extent that costs have been incurred. A provision is made as soon as a loss is foreseen.

### **2.3.3. Managed Services**

The Group sells maintenance, support and management of customer's IT infrastructures and operations.

The Group identifies individual revenue generating activities or performance obligations within each contract and allocates revenue between them. This revenue is then assessed for recognition purposes based on the nature of the activity.

Managed Services revenue is recognised over the term of the contract as services are delivered. Unearned Managed Services revenue is included within deferred income in the Consolidated Balance Sheet. Amounts invoiced relating to more than one year are deferred and recognised over the relevant period. Where a contract contains several elements, the individual elements are accounted for separately where appropriate and revenue thereon is measured at the fair value of the consideration received. The related costs are recognised as they are incurred. However, a portion of costs incurred in the initial phase of outsourcing contracts (transition and/or transformation costs) may be deferred when they are specific to a given contract and/or will generate future economic benefits, and are recoverable. These costs are allocated to work-in-progress and any reimbursement by the client is recorded as a deduction from the costs incurred.

On a limited number of Managed Services contracts revenue is recognised on a percentage of completion basis which is determined by reference to the costs incurred as a proportion of the total estimated costs of the contract (see note 3.1.1 to the summary financial information included within this announcement, for further detail). Unbilled revenue is recognised within accrued income. If a contract cannot be reliably estimated, revenue is restricted to the extent that it is probable that costs incurred will be recoverable.

### **2.3.4. Bid and set-up costs**

The Group operates in a highly competitive environment and is frequently involved in contract bids with multiple competitors with the outcome usually unknown until the contract is awarded and signed.

Any bid costs incurred by the Group's Central Bid Management Engines are not capitalised or charged to the contract, but instead directly charged to selling, general and administrative expenses as they are incurred. These costs associated with bids are not separately identifiable nor can they be measured reliably as the Group's internal bid teams work across multiple bids at any one time. Further, it cannot be assessed as probable that the contract will be obtained until the tender process has completed and the contract has been awarded.

### **2.3.5. Finance income**

Income is recognised as interest accrues.

### **2.3.6. Operating lease income**

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

## **2.4. Exceptional items**

The Group presents as exceptional items on the face of the Income Statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the year, so as to facilitate comparison with prior years and to assess better trends in financial performance.

## **2.5. Adjusted<sup>1</sup> measures**

The Group uses a number of non-Generally Accepted Accounting Practice (non-GAAP) financial measures in addition to those reported in accordance with IFRS. The Directors believe that these non-GAAP measures, listed below, are important when assessing the underlying financial and operating performance of the Group.

These non-GAAP measures comprise of:

Adjusted revenue, adjusted Services revenue, adjusted Professional Services revenue, adjusted Supply Chain revenue, and adjusted administrative expenses excludes the revenue and administrative expenses from a disposed subsidiary, RDC, for the comparative reporting year. RDC was sold on 2 February 2015.

Adjusted operating profit or loss, adjusted profit or loss before tax, adjusted tax, adjusted profit or loss for the year, adjusted earnings per share and adjusted diluted earnings per share are, as appropriate, each stated before: exceptional and other adjusting items including gain or loss on business disposals, amortisation of acquired intangibles, utilisation of deferred tax assets (where initial recognition was as an exceptional item or a fair value adjustment on acquisition), and the related tax effect of these exceptional and other adjusting items, as Management do not consider these items when reviewing the underlying performance of the Segment or the Group as a whole. Each of these measures also excludes the results of RDC for the comparative periods.

Additionally, adjusted gross profit or loss and adjusted operating profit or loss includes the interest paid on customer-specific financing (CSF) which Management considers to be a cost of sale.

A reconciliation between key adjusted and statutory measures is provided in the Group Finance Director's Review included within this announcement which details the impact of Exceptional and other adjusted items when comparing to the non-GAAP financial measures in addition to those reported in accordance with IFRS. Further detail is also provided within note 4 to the summary financial information included within this announcement, Segment Information.

## **2.6. Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where an asset does not have independent cash flows, the recoverable amount is assessed for the CGU to which it belongs. Certain other corporate assets are unable to be allocated against specific CGUs. These assets are tested across an aggregation of CGUs that utilise the asset. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or CGU. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Income Statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. As the Group has no assets carried at revalued amounts, such reversal is recognised in the Income Statement.

## **2.7. Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Freehold buildings: 25-50 years
- Short leasehold improvements: shorter of 7 years and period to expiry of lease
- Fixtures and fittings
  - Head office: 5-15 years
  - Other: shorter of 7 years and period to expiry of lease
- Office machinery and computer hardware: 2-15 years
- Motor vehicles: 3 years

Freehold land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the

Income Statement in the year the item is derecognised.

## **2.8. Leases**

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term.

## **2.9. Investment property**

Investment property is defined as land and/or buildings held by the Group to earn rental income or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in the supply of goods or services or for administrative purposes. The Group recognises any part of an owned (or leased under a finance lease) property that is leased to third parties as investment property, unless it represents an insignificant portion of the property.

Investment property is measured initially at cost including transaction costs. Subsequent to initial recognition, the Group elects to measure investment property at cost less accumulated depreciation and accumulated impairment losses, if any (i.e. applying the same accounting policies (including useful lives) as for property, plant and equipment). The fair values reflect the market conditions as at the balance sheet date.

## **2.10. Intangible assets**

Software and software licences

Software and software licences include computer software that is not integral to a related item of hardware. These assets are stated at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on a straight-line basis over the estimated useful life of the asset. Currently software is amortised over four years.

The carrying values of software and software licences are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

### **2.10.1. Software under development**

Costs that are incurred and that can be specifically attributed to the development phase of management information systems for internal use are capitalised and amortised over their useful life, once the asset becomes available for use.

### **2.10.2. Other intangible assets**

Intangible assets acquired as part of a business combination are carried initially at fair value. Following initial recognition intangible assets are carried at cost less accumulated amortisation and any impairment in value. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives with charges included in administrative expenses as follows:

- Existing customer contracts: 5 years
- Existing customer relationships: 10 years
- Tools and technology: 7 years

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

### **2.10.3. Goodwill**

Business combinations are accounted for under IFRS 3 Business Combinations using the acquisition method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the Consolidated Balance Sheet as goodwill and is not amortised. Any goodwill arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related CGU monitored by Management, usually at business Segment level or statutory Company level as the case may be. Where the recoverable amount of the CGU is less than its carrying amount, including goodwill, an impairment loss is recognised in the Consolidated Income Statement.

### **2.11. Inventories**

Inventories are carried at the lower of weighted average cost and net realisable value after making allowance for any obsolete or slow-moving items. Costs include those incurred in bringing each product to its present location and condition, on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

### **2.12. Financial assets**

Financial assets are recognised at their fair value which initially equates to the consideration given plus directly attributable transaction costs associated with the investment.

The subsequent measurement of financial assets depends on their classification as described in each category below:

#### **2.12.1. Trade and other receivables**

Trade receivables, which generally have 30 to 90-day credit terms, are recognised and carried at their original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as being remote.

#### **2.12.2. Current asset investments**

Current asset investments comprise deposits held for a term of greater than three months from the date of deposit and which are not available to the Group on demand. Subsequent to initial measurement, current asset investments are measured at fair value.

#### **2.12.3. Cash and cash equivalents**

Cash and short-term deposits in the Consolidated Balance Sheet comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### **2.13. Financial liabilities**

Financial liabilities are initially recognised at their fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The subsequent measurement of financial liabilities depends on their classification as described in each category below:

#### **2.13.1. Provisions (excluding Restructuring provision)**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Customer contract provisions

In respect of contracts where revenue is recognised on a percentage of completion basis, and where the performance of one of these limited number of contracts results in a margin that was less than anticipated at the time that it was agreed, then the future financial performance of that contract will be reviewed in detail. If, after further financial analysis, the full financial consequence of the contract can be reliably estimated, and it is determined that the contract is potentially loss-making, then the best estimate of the losses expected to be incurred until the end of the contract will be provided for.

The Group has elected to apply IAS 11 in its assessment of whether contracts are considered onerous and in subsequently estimating the provision as IAS 18 considers the requirements of IAS 11 are generally applicable to the recognition of revenue and the associated expenses for a transaction involving the rendering of services.

A contract that is accounted for under IAS 11 that is considered potentially onerous is assessed according to the recognition of expected losses in IAS 11 ahead of the onerous contract guidance in IAS 37 and considers total estimated costs (i.e. directly attributable variable costs and fixed allocated costs) as included in the assessment of whether the contract is onerous or not and in the measurement of the provision.

### **2.13.2. Restructuring provisions**

The Group recognises a 'restructuring' provision when there is a programme planned and controlled by Management that changes materially the scope of the business or the manner in which it is conducted.

Further to the Group's general provision recognition policy, a restructuring provision is only considered when the Group has a detailed formal plan for the restructuring identifying, as a minimum; the business or part of the business concerned; the principal locations affected; the location, function and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken and when the plan will be implemented.

The Group will only recognise a specific restructuring provision once a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Group only includes incremental costs associated directly with the restructuring within the restructuring provisions such as employee termination benefits and consulting fees. The Group specifically excludes from recognition in a restructuring provision any costs associated with ongoing activities such as the costs of training or relocating staff that are redeployed within the business rather than retrenched and costs for employees who continue to be employed in ongoing operations, regardless of the status of these operations post restructure.

### **2.13.3. Pensions and other post-employment benefits**

The Group operates a defined contribution pension scheme available to all UK employees. Contributions are recognised as an expense in the Income Statement as they become payable in accordance with the rules of the scheme. There are no material pension schemes within the Group's overseas operations.

The Group has an obligation to make a one-off payment to French employees upon retirement, the Indemnités de Fin de Carrière (IFC).

French employment law requires that a company pays employees a one-time contribution when (and only when) the employee leaves the Company for retirement at the mandatory age. This is a legal requirement for all businesses who incur the obligation upon departure, due to retirement, of an employee.

Typically the retirement benefit is based on length of service of the employee and his or her salary at retirement. The amount is set via a legal minimum but the retirement premiums can be improved by the collective agreement or employment contract in some cases. In Computacenter France, the payment is based on accrued service and ranges from 1 month of salary after 5 years of service to 9.4 months of salary after 47 years of service.

If the employee leaves voluntarily at any point before retirement, all liability is extinguished and any accrued service is not transferred to any new employment.

Management continues to account for this obligation according to IAS 19 (revised). Due to the materiality of the obligation, Management considers no further disclosures are relevant at this time.

## **2.14. Derecognition of financial assets and liabilities**

### **Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

### **2.15. Derivative financial instruments and hedge accounting**

The Group uses foreign currency forward contracts to hedge its foreign currency risks associated with foreign currency fluctuations affecting cash flows from forecasted transactions and unrecognised firm commitments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are addressed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting years for which they are designated.

Forward contracts are initially recognised at fair value on the date that the contract is entered into and are subsequently remeasured at fair value at each reporting date. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Forward contracts are recorded as assets when the fair value is positive and as liabilities when the fair value is negative.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

Cash flow hedges that meet the strict criteria for hedge accounting are accounted for as follows: the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Income Statement in administrative expenses.

Amounts recognised within other comprehensive income are transferred to the Income Statement, within administrative expenses, when the hedged transaction affects the Income Statement, such as when the hedged financial expense is recognised.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Income Statement within administrative expenses. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised within other comprehensive income remains within other comprehensive income until after the forecast transaction or firm commitment affects the Income Statement.

Any other gains or losses arising from changes in fair value on forward contracts are taken directly to administrative expenses in the Income Statement.

### **2.16. Taxation**

#### **2.16.1. Current tax**

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

#### **2.16.2. Deferred tax**

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, carried forward tax credits or tax losses, can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to the statement of comprehensive income if it relates to items that are credited or charged to the statement of comprehensive income. Otherwise, income tax is recognised in the Income Statement.

### **2.17. Share-based payment transactions**

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

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Directors' best estimate of the number of equity instruments that will ultimately vest. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. As the schemes do not include any market-related performance conditions, no expense is recognised for awards that do not ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 7 to the summary financial information included within this announcement).

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

### **2.18. Fair value measurement**

The Group measures certain financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

### **2.19. Own shares held**

Computacenter plc shares held by the Group are classified in shareholders' equity as 'own shares held' and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

## **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of Financial Statements requires Management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

During the year, Management set aside time to consider the critical accounting estimates and judgements for the Group. This process included reviewing the last reporting period's disclosures and the current period's challenging accounting issues. Where Management deemed an area of accounting to be no longer a critical estimate or judgement, an explanation for this decision is found in the relevant accounting note to the Consolidated Financial Statements.

### **3.1. Critical estimates**

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future years affected. The areas involving significant risk resulting in a material adjustment to

the carrying amounts of assets and liabilities within the next financial year are as follows:

### **3.1.1. Services revenue recognition**

The Group accounted for certain Services contracts using the percentage of completion method, recognising revenue by reference to the stage of completion of the contract which is determined by actual costs incurred as a proportion of total forecast contract costs. This method places considerable importance on accurate estimates of the extent of progress towards completion of the contract and may involve estimates on the scope of services required for fulfilling the contractually defined obligations. These significant estimates include total contract costs, total contract revenues, contract risks, including technical risks, and other assumptions. Under the percentage of completion method, the changes in these estimates and assumptions may lead to an increase or decrease in revenue recognised at the balance sheet date with the in-year revenue recognition appropriately adjusted as required. When the outcome of the contract cannot be estimated reliably, revenue is recognised only to the extent that expenses incurred are eligible to be recovered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration.

The key judgements are the extent to which revenue should be recognised and also, where total contract costs are not covered by total contract revenue, the extent to which an adjustment is required.

Additionally, where contracts are renegotiated mid-life, Management will consider when to make a revenue adjustment. A major contract was under renegotiation at year end with the terms largely agreed but not yet signed. Shortly after the balance sheet date, an agreement was signed including settlement of outstanding revenue claims relating to the second half of 2016. This additional information resulted in an update to the original revenue estimate with an adjustment of £1.7 million made to increase 2016 revenue and margins.

During the year, Management held a number of 'difficult' contracts under review that were considered to be performing below expectation. The number of contracts under review fluctuated during the year between eight and 12. Each contract was subject to a detailed review to consider the reasons behind the lower than anticipated performance and the potential accounting impacts related effect on revenue recognition estimates.

For a limited number of these 'difficult' contracts, where there was no immediate operational or commercial remedy for the performance, a range of possible outcomes for the estimate of the total contract costs and total contract revenues was considered to determine the best estimate of stage of completion.

The gross revenue recognised in the year from these contracts under review was approximately £10.4 million. The range of potential scenarios considered by management in respect of these specific contracts included a reduction in revenue, and margins, recognised in 2016 of £4.1 million. Also, based on Management's best estimate, the total cost to complete on these contracts were £26.6 million.

### **3.2. Critical judgements**

Judgements made by Management in the process of applying the Group's accounting policies, that have the most significant effect on the amounts recognised in the Financial Statements, are as follows:

#### **3.2.1. Exceptional items**

Exceptional items remain a core focus of Management with the recent Alternative Performance Measure regulations providing further guidance in this area.

Management is required to exercise its judgement in the classification of certain items as exceptional and outside of the Group's adjusted<sup>1</sup> results. The overall goal of Management is to present the Group's underlying performance without distortion from one-off or non-trading events regardless of whether they be favourable or unfavourable to the underlying result.

To achieve this, Management have considered the materiality, infrequency and nature of the various items classified as exceptional this year against the requirements and guidance provided by IAS 1, our Group accounting policies and the recent regulatory interpretations and guidance.

In reaching their conclusions, Management consider not only the effect on the overall underlying Group performance but also where an item is critical in understanding the performance of one of its component Segments which is of relevance to investors and analysts when assessing the Group result and its future prospects as a whole.

Further details of the individual exceptional items, and the reasons for their disclosure treatment, are set out in note 5 to the summary financial information included within this announcement.

### **3.3. Change in critical estimates and critical judgements**

During the year, Management reassessed the critical estimates and critical judgements and resolved that the following were no

longer considered critical.

### 3.3.1. Critical estimates

#### Provisions

The Group's provisions principally relate to obligations arising from onerous lease property provisions, customer contract provisions, restructuring provisions and retirement benefit obligations.

Management has considered each element that makes up the total provision balance as at the year end and decided that assumptions used to estimate these elements of provisions were not sensitive enough to change the provision balance materially hence provisions are no longer considered a critical estimate.

#### Providing for doubtful debts

The level of provision for doubtful debts has decreased significantly from previous years and hence is no longer a critical estimate as the range of possible outcomes resulting from various assumptions applied by management are now not considered material. This was previously considered a critical estimate due to the higher than normal trade receivables balances in our French Segment at 31 December 2014.

### 3.3.2. Critical judgements

#### Asset held for sale

At the time of approving the 2014 year end Annual Report and Accounts, Management made a judgement in deciding that the sale of its subsidiary, RDC, should not be accounted for as an asset held for sale under the Group's relevant accounting policy disclosed at the time. However, the Group did not carry any assets classified as 'held for sale' or have any 'discontinued operations' as at 31 December 2016 therefore this is no longer considered an area of critical judgement by Management.

## 4 SEGMENT INFORMATION

For Management purposes, the Group is organised into geographical Segments, with each Segment determined by the location of the Group's assets and operations. The Group's business in each geography is managed separately and held in separate statutory entities.

No operating Segments have been aggregated to form the below reportable operating Segments.

Management monitors the operating results of its geographical Segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted<sup>1</sup> operating profit or loss which is measured differently from statutory operating profit or loss in the Consolidated Financial Statements as defined above.

Segmental performance for the years ended 31 December 2016 and 2015 was as follows:

#### Year ended 31 December 2016

|   | UK<br>£'000      | Germany<br>£'000 | France<br>£'000 | Belgium<br>£'000 | Total<br>£'000   |
|---|------------------|------------------|-----------------|------------------|------------------|
| <b>Revenue</b>                                      |                  |                  |                 |                  |                  |
| Adjusted <sup>1</sup> Supply Chain revenue          | 899,822          | 934,214          | 335,612         | 37,907           | 2,207,555        |
| Adjusted <sup>1</sup> Services revenue              |                  |                  |                 |                  |                  |
| Adjusted <sup>1</sup> Professional Services revenue | 118,636          | 138,218          | 15,470          | 1,868            | 274,192          |
| Managed Services revenue                            | 373,292          | 319,744          | 53,627          | 16,987           | 763,650          |
| Total adjusted <sup>1</sup> Services revenue        | 491,928          | 457,962          | 69,097          | 18,855           | 1,037,842        |
| <b>Total adjusted<sup>1</sup> revenue</b>           | <b>1,391,750</b> | <b>1,392,176</b> | <b>404,709</b>  | <b>56,762</b>    | <b>3,245,397</b> |
| <b>RDC</b>  |                  |                  |                 |                  |                  |
| Supply Chain revenue                                | -                | -                | -               | -                | -                |
| Professional Services revenue                       | -                | -                | -               | -                | -                |
| Total RDC revenue                                   | -                | -                | -               | -                | -                |

|  |           |           |          |         |                  |
|--|-----------|-----------|----------|---------|------------------|
| <b>Statutory revenue</b>   | 1,391,750 | 1,392,176 | 404,709  | 56,762  | <b>3,245,397</b> |
| <b>Results</b>   |           |           |          |         |                  |
| Adjusted <sup>1</sup> gross profit                               | 202,556   | 175,273   | 42,520   | 7,479   | <b>427,828</b>   |
| Adjusted <sup>1</sup> administrative expenses                    | (155,812) | (139,683) | (39,649) | (6,524) | <b>(341,668)</b> |
| Adjusted <sup>1</sup> operating profit                           | 46,744    | 35,590    | 2,871    | 955     | <b>86,160</b>    |
| Adjusted <sup>1</sup> net interest                               | 717       | (212)     | (208)    | (28)    | <b>269</b>       |
| Adjusted <sup>1</sup> profit before tax                          | 47,461    | 35,378    | 2,663    | 927     | <b>86,429</b>    |
| Exceptional items:   |           |           |          |         |                  |
| - onerous contracts trading losses                               | -         | -         | -        | -       | -                |
| - onerous contracts provision for future losses                  | -         | -         | -        | -       | -                |
| - exceptional losses on redundancy and other restructuring costs | -         | -         | (1,169)  | -       | <b>(1,169)</b>   |
| - gain on reversal of fair value adjustments                     | -         | 3,045     | -        | -       | <b>3,045</b>     |
| Total exceptional items  | -         | 3,045     | (1,169)  | -       | <b>1,876</b>     |
| Exceptional loss on disposal of a subsidiary                     | (522)     | -         | -        | -       | <b>(522)</b>     |
| Amortisation of acquired intangibles                             | -         | (627)     | -        | (83)    | <b>(710)</b>     |
| RDC  | -         | -         | -        | -       | -                |
| Statutory profit before tax                                      | 46,939    | 37,796    | 1,494    | 844     | <b>87,073</b>    |

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

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

Year ended 31 December 2015

|  | UK<br>£'000      | Germany<br>£'000 | France<br>£'000 | Belgium<br>£'000 | Total<br>£'000   |
|--|------------------|------------------|-----------------|------------------|------------------|
| <b>Revenue</b>   |                  |                  |                 |                  |                  |
| <b>Adjusted<sup>1</sup> Supply Chain revenue</b>                 | 875,041          | 820,196          | 335,024         | 33,686           | <b>2,063,947</b> |
| <b>Adjusted<sup>1</sup> Services revenue</b>                     |                  |                  |                 |                  |                  |
| Adjusted <sup>1</sup> Professional Services revenue              | 137,390          | 107,416          | 16,101          | 1,645            | <b>262,552</b>   |
| Managed Services revenue   | 394,943          | 272,006          | 46,934          | 13,785           | <b>727,668</b>   |
| Total adjusted <sup>1</sup> Services revenue                     | 532,333          | 379,422          | 63,035          | 15,430           | <b>990,220</b>   |
| <b>Total adjusted<sup>1</sup> revenue</b>                        | <b>1,407,374</b> | <b>1,199,618</b> | <b>398,059</b>  | <b>49,116</b>    | <b>3,054,167</b> |
| <b>RDC</b>   |                  |                  |                 |                  |                  |
| Supply Chain revenue   | 3,158            | -                | -               | -                | <b>3,158</b>     |
| Professional Services revenue                                    | 290              | -                | -               | -                | <b>290</b>       |
| Total RDC revenue  | 3,448            | -                | -               | -                | <b>3,448</b>     |
| <b>Statutory Supply Chain revenue</b>                            |                  |                  |                 |                  |                  |
| <b>Statutory Supply Chain revenue</b>                            | 878,199          | 820,196          | 335,024         | 33,686           | <b>2,067,105</b> |
| <b>Statutory Services revenue</b>                                |                  |                  |                 |                  |                  |
| Statutory Professional Services revenue                          | 137,680          | 107,416          | 16,101          | 1,645            | <b>262,842</b>   |
| Statutory Managed Services revenue                               | 394,943          | 272,006          | 46,934          | 13,785           | <b>727,668</b>   |
| Total statutory Services revenue                                 | 532,623          | 379,422          | 63,035          | 15,430           | <b>990,510</b>   |
| <b>Statutory revenue</b>   | <b>1,410,822</b> | <b>1,199,618</b> | <b>398,059</b>  | <b>49,116</b>    | <b>3,057,615</b> |
| <b>Results</b>   |                  |                  |                 |                  |                  |
| Adjusted <sup>1</sup> gross profit                               | 216,445          | 147,346          | 32,083          | 6,258            | <b>402,132</b>   |
| Adjusted <sup>1</sup> administrative expenses                    | (157,110)        | (119,937)        | (33,715)        | (4,263)          | <b>(315,025)</b> |
| Adjusted <sup>1</sup> operating profit/(loss)                    | 59,335           | 27,409           | (1,632)         | 1,995            | <b>87,107</b>    |
| Adjusted <sup>1</sup> net interest                               | 601              | (577)            | (178)           | (79)             | <b>(233)</b>     |
| Adjusted <sup>1</sup> profit/(loss) before tax                   | 59,936           | 26,832           | (1,810)         | 1,916            | <b>86,874</b>    |
| Exceptional items:   |                  |                  |                 |                  |                  |
| - onerous contracts trading losses                               | -                | (1,123)          | -               | -                | <b>(1,123)</b>   |
| - onerous contracts provision for future losses                  | -                | 1,559            | -               | -                | <b>1,559</b>     |
| - exceptional losses on redundancy and other restructuring costs | -                | -                | (1,465)         | -                | <b>(1,465)</b>   |
| Total exceptional items  | -                | 436              | (1,465)         | -                | <b>(1,029)</b>   |
| Exceptional gain on disposal of a subsidiary                     | 42,155           | -                | -               | -                | <b>42,155</b>    |
| Amortisation of acquired intangibles                             | (361)            | (1,116)          | -               | (76)             | <b>(1,553)</b>   |
| RDC  | 320              | -                | -               | -                | <b>320</b>       |
| Statutory profit/(loss) before tax                               | 102,050          | 26,152           | (3,275)         | 1,840            | <b>126,767</b>   |

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

|  | UK<br>£'000 | Germany<br>£'000 | France<br>£'000 | Belgium<br>£'000 | Total<br>£'000 |
|--|-------------|------------------|-----------------|------------------|----------------|
|--|-------------|------------------|-----------------|------------------|----------------|

|   |               |               |                |              |                |
|---|---------------|---------------|----------------|--------------|----------------|
| <b>Adjusted<sup>1</sup> operating profit/(loss)</b> | 59,335        | 27,409        | (1,632)        | 1,995        | <b>87,107</b>  |
| Add-back interest on CSF                            | 56            | 284           | -              | -            | <b>340</b>     |
| Amortisation of acquired intangibles                | (361)         | (1,116)       | -              | (76)         | <b>(1,553)</b> |
| Exceptional items                                   | -             | 436           | (1,465)        | -            | <b>(1,029)</b> |
| RDC   | 320           | -             | -              | -            | <b>320</b>     |
| <b>Statutory operating profit/(loss)</b>            | <b>59,350</b> | <b>27,013</b> | <b>(3,097)</b> | <b>1,919</b> | <b>85,185</b>  |
| <b>Other segment information</b>                    |               |               |                |              |                |
| Property, plant and equipment                       | 34,037        | 14,286        | 7,210          | 1,599        | <b>57,132</b>  |
| Investment property                                 | 10,260        | -             | -              | -            | <b>10,260</b>  |
| Intangible assets                                   | 63,173        | 16,520        | 56             | 1,784        | <b>81,533</b>  |
| <b>Capital expenditure:</b>                         |               |               |                |              |                |
| Property, plant and equipment                       | 5,904         | 5,224         | 1,307          | 868          | <b>13,303</b>  |
| Software  | 6,052         | 1,186         | 50             | 6            | <b>7,294</b>   |
| Depreciation of property, plant and equipment       | 10,667        | 6,121         | 1,687          | 410          | <b>18,885</b>  |
| Depreciation of investment property                 | 227           | -             | -              | -            | <b>227</b>     |
| Amortisation of software                            | 11,059        | 635           | 59             | 5            | <b>11,758</b>  |
| Share-based payments                                | 4,095         | 542           | 33             | -            | <b>4,670</b>   |

#### Information about major customers

Included in revenues arising from the UK segment are revenues of approximately £271 million (2015: £281 million) which arose from sales to the Group's largest customer. For the purposes of this disclosure a single customer is considered to be a group of entities known to be under common control. This customer consists of entities under control of the UK Government.

## 5 EXCEPTIONAL ITEMS

|   | <b>2016</b>    | <b>2015</b>  |
|---|----------------|--------------|
|   | <b>£'000</b>   | <b>£'000</b> |
| <b>Operating profit</b>                               |                |              |
| Redundancy and other restructuring costs              | <b>(1,169)</b> | (1,465)      |
| Onerous contracts                                     | -              | 436          |
| Gain on reversal of fair value adjustments            | <b>3,045</b>   | -            |
|   | <b>1,876</b>   | (1,029)      |
| Exceptional (loss)/gain on disposal of a subsidiary   | <b>(522)</b>   | 42,155       |
| Exceptional items before taxation                     | <b>1,354</b>   | 41,126       |
| <b>Income tax</b>                                     |                |              |
| Tax on onerous contracts included in operating profit | -              | (52)         |
| Tax on gain on reversal of fair value adjustments     | <b>(192)</b>   | -            |
| Exceptional items after taxation                      | <b>1,162</b>   | 41,074       |

**2016:** Included within the current year are the following exceptional items:

- As outlined in our 2016 Interim Report, a Line of Business restructure was agreed with the business in France. This initiative to reduce the underutilised resources within our Professional Services arm completed in the second half of 2016,

for a cost of £1.0 million. This restructure has seen France exit the direct provision of Group Field Maintenance Services. This Line of Business had materially decreased over time, leading to significant resourcing overcapacity. Any residual customer requirement will be sub-contracted to an existing third party provider. Additionally, as also detailed in the 2016 Interim Report, further provisioning to the existing 2014 Social Plan in France of £0.1 million was also required during the period.

- The most significant item within exceptional items during 2016 was the £3.0 million release of historical fair value adjustments made on the 2009 acquisition of becom Informationssysteme GmbH (becom). This followed the final payment of the contingent consideration to the vendor during 2016. Due to the materiality and nature of the item, Management decided to classify this one-off gain as exceptional.
- During the third quarter, a Group subsidiary domiciled in Luxembourg, Computacenter PSF SA, was disposed of for a net loss of £0.5 million. As the principal item in the year to 31 December 2015 was the gain on the disposal of a Group subsidiary, R.D. Trading Limited (RDC), of £42.2 million, the current year loss on disposal activity has also been classified as exceptional.

**2015:** Included within the prior year are the following exceptional items:

- Computacenter (UK) Limited disposed of its wholly-owned subsidiary RDC during the year. An exceptional gain of £42.2 million was recognised on the disposal. In line with our accounting policy, Management has elected under IAS 1 to report this gain as a separate line item on the face of the Consolidated Income Statement due to the materiality, infrequency and nature of this gain. As noted within the summary of significant accounting policies the adjusted<sup>1</sup> results exclude this gain. This election provides the best guidance to users of our external reporting as to the underlying profitability trends within the Group and to present the results of the Group in a way that is fair, balanced and understandable.
- Computacenter France continued with its substantial restructuring exercise that began in 2014. An additional cost of £1.5 million has been recognised as part of the Social Plan. As the redundancy and restructuring costs were treated as an exceptional item on recognition, the further provision has also been treated as an exceptional item. Within this balance, Management has provided for legal expenses of £0.4 million directly related to individual legal challenges to termination settlements provided under the Social Plan.
- The Group's remaining two onerous contracts continue to show operational improvements therefore Management has revised its estimates of the losses to be incurred. On this basis, the Group has released £0.4 million of the provision. As the onerous contracts were treated as an exceptional item on recognition, the write-back of the provision has also been released as an exceptional item.

## 6 INCOME TAX

### a) Tax on profit from ordinary activities

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| <b>Tax charged in the consolidated income statement</b> |               |               |
| <b>Current income tax</b>                               |               |               |
| UK corporation tax                                      | 12,992        | 14,639        |
| Foreign tax   |               |               |
| - operating results before exceptional items            | 7,702         | 6,485         |
| Total foreign tax                                       | 7,702         | 6,485         |
| Adjustments in respect of prior years                   | (170)         | (232)         |
| Total current income tax                                | 20,524        | 20,892        |
| <b>Deferred tax</b>                                     |               |               |
| Operating results before exceptional items:             |               |               |
| - origination and reversal of temporary differences     | 194           | (1,276)       |
| - adjustments in respect of prior years                 | (360)         | (276)         |
| - changes in recoverable amounts of deferred tax assets | 2,750         | 4,265         |

|  |               |        |
|--|---------------|--------|
| Exceptional items                                      | 192           | 52     |
| Total deferred tax                                     | 2,776         | 2,765  |
| <b>Tax charge in the consolidated income statement</b> | <b>23,300</b> | 23,657 |

**b) Reconciliation of the total tax charge**

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| Accounting profit before income tax  | 87,073        | 126,767       |
| At the UK standard rate of corporation tax of 20 per cent (2015: 20.25 per cent) | 17,415        | 25,670        |
| Expenses not deductible for tax purposes   | 962           | 1,187         |
| Non-deductible element of share-based payment charge                             | 665           | 128           |
| Adjustments in respect of current income tax of previous years                   | (519)         | (599)         |
| Higher tax on overseas earnings  | 3,106         | 3,140         |
| Other differences  | 71            | (39)          |
| Effect of changes in tax rate on deferred tax                                    | 170           | 220           |
| Overseas tax not based on earnings   | 1,152         | 1,065         |
| Non-chargeable exceptional gain on disposal of subsidiary                        | -             | (8,529)       |
| Deferred tax not recognised on current year losses                               | 278           | 1,414         |
| At effective income tax rate of 26.8 per cent (2015: 18.7 per cent)              | 23,300        | 23,657        |

**c) Tax losses**

Deferred tax assets of £5.9 million (2015: £7.4 million) have been recognised in respect of losses carried forward.

In addition, at 31 December 2016, there were unused tax losses across the Group of £150.8 million (2015: £130.9 million) for which no deferred tax asset has been recognised. Of these losses, £40.4 million (2015: £33.5 million) arise in Germany and £110.4 million (2015: £93.3 million) arise in France. A significant proportion of the losses arising in Germany have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

**d) Deferred tax**

Deferred income tax at 31 December relates to the following:

|  | Consolidated balance sheet |               | Consolidated income statement and other comprehensive income |               |
|--|----------------------------|---------------|--|---------------|
|  | 2016<br>£'000              | 2015<br>£'000 | 2016<br>£'000  | 2015<br>£'000 |
| <b>Deferred income tax liabilities</b>                   |                            |               |  |               |
| Accelerated capital allowances                           | -                          | 1,197         | (1,197)  | (584)         |
| Revaluations of foreign exchange contracts to fair value | 559                        | 370           | 189  | 370           |
| Amortisation of intangibles                              | 554                        | 661           | (117)  | (315)         |
| Gross deferred income tax liabilities                    | 1,113                      | 2,228         |  |               |
| <b>Deferred income tax assets</b>                        |                            |               |  |               |
| Relief on share option gains                             | 1,797                      | 2,590         | 793  | (945)         |
| Other temporary differences                              | 3,244                      | 4,348         | 396  | (364)         |

|   |        |        |       |       |
|---|--------|--------|-------|-------|
| Revaluations of foreign exchange contracts to fair value  | 308    | 176    | 132   | (122) |
| Losses available for offset against future taxable income | 5,960  | 7,431  | 2,580 | 4,725 |
| Gross deferred income tax assets                          | 11,309 | 14,545 |       |       |
| Deferred income tax charge                                |        |        | 2,776 | 2,765 |
| Net deferred income tax assets                            | 10,196 | 12,317 |       |       |
| <b>Disclosed on the consolidated balance sheet</b>        |        |        |       |       |
| Deferred income tax assets                                | 10,537 | 12,840 |       |       |
| Deferred income tax liabilities                           | (341)  | (523)  |       |       |
| Net deferred income tax assets                            | 10,196 | 12,317 |       |       |

At 31 December 2016, there was no recognised or unrecognised deferred income tax liability (2015: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group expects that future remittances of earnings from its overseas subsidiaries will be covered by the UK dividend exemption.

#### e) Impact of rate change

The main rate of UK Corporation will be reduced to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020, as enacted in the Finance Act 2015. The deferred tax in these Financial Statements reflects this.

## 7 EARNINGS PER SHARE

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

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year are considered to be dilutive potential shares.

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Profit attributable to equity holders of the parent | 63,773        | 103,110       |

|   | 2016<br>£'000 | 2015<br>£'000 |
|---|---------------|---------------|
| Basic weighted average number of shares (excluding own shares held) | 120,540       | 122,948       |
| Effect of dilution:   |               |               |
| Share options   | 1,344         | 2,655         |
| Diluted weighted average number of shares                           | 121,884       | 125,603       |

|                            | 2016<br>Pence | 2015<br>pence |
|----------------------------|---------------|---------------|
| Basic earnings per share   | 52.9          | 83.9          |
| Diluted earnings per share | 52.3          | 82.1          |

## 8 DIVIDENDS PAID AND PROPOSED

|  | 2016<br>£'000 | 2015<br>£'000 |
|--|---------------|---------------|
| <b>Declared and paid during the year</b> |               |               |
| Equity dividends on Ordinary Shares:     |               |               |

|   |               |        |
|---|---------------|--------|
| Second interim dividend for 2015: 15.0 pence (2014: nil pence)    | <b>18,106</b> | -      |
| Final dividend for 2015: nil pence (2014: 13.1 pence)             | -             | 15,776 |
| Interim dividend for 2016: 7.2 pence (2015: 6.3 pence)            | <b>8,696</b>  | 7,698  |
|   | <b>26,802</b> | 23,474 |
| <b>Proposed (not recognised as a liability as at 31 December)</b> |               |        |
| Equity dividends on Ordinary Shares:                              |               |        |
| Second interim dividend for 2016: nil pence (2015: 15.0 pence)    | -             | 18,399 |
| Final dividend for 2016: 15.0 pence (2015: nil pence)             | <b>18,399</b> | -      |

## 9 ANALYSIS OF CHANGES IN NET FUNDS

|                                | At<br>1 January<br>2016<br>£'000 | Cash<br>flows<br>in year<br>£'000 | Non-cash<br>flow<br>£'000 | Exchange<br>differences<br>£'000 | At<br>31<br>December<br>2016<br>£'000 |
|--------------------------------|----------------------------------|-----------------------------------|---------------------------|----------------------------------|---------------------------------------|
| Cash and short-term deposits   | 111,770                          | (5,840)                           | -                         | 12,746                           | 118,676                               |
| Bank overdraft                 | (90)                             | 90                                | -                         | -                                | -                                     |
| Cash and cash equivalents      | 111,680                          | (5,750)                           | -                         | 12,746                           | 118,676                               |
| Current asset investments      | 15,000                           | 15,000                            | -                         | -                                | 30,000                                |
| Bank loans                     | (5)                              | (278)                             | -                         | (11)                             | (294)                                 |
| <b>Net funds excluding CSF</b> | <b>126,675</b>                   | <b>8,972</b>                      | -                         | <b>12,735</b>                    | <b>148,382</b>                        |
| CSF leases                     | (4,373)                          | 1,167                             | 377                       | (648)                            | (3,477)                               |
| Customer-specific other loans  | (1,514)                          | 1,101                             | -                         | -                                | (413)                                 |
| <b>Total CSF</b>               | <b>(5,887)</b>                   | <b>2,268</b>                      | <b>377</b>                | <b>(648)</b>                     | <b>(3,890)</b>                        |
| <b>Net funds</b>               | <b>120,788</b>                   | <b>11,240</b>                     | <b>377</b>                | <b>12,087</b>                    | <b>144,492</b>                        |

|                                | At<br>1 January<br>2015<br>£'000 | Cash flows<br>in year<br>£'000 | Non-cash<br>flow<br>£'000 | Exchange<br>differences<br>£'000 | At<br>31<br>December<br>2015<br>£'000 |
|--------------------------------|----------------------------------|--------------------------------|---------------------------|----------------------------------|---------------------------------------|
| Cash and short-term deposits   | 129,865                          | (16,113)                       | -                         | (1,982)                          | 111,770                               |
| Bank overdraft                 | (719)                            | 584                            | -                         | 45                               | (90)                                  |
| Cash and cash equivalents      | 129,146                          | (15,529)                       | -                         | (1,937)                          | 111,680                               |
| Current asset investments      | -                                | 15,000                         | -                         | -                                | 15,000                                |
| Bank loans                     | (120)                            | 107                            | -                         | 8                                | (5)                                   |
| Other loans non-CSF            | (517)                            | 517                            | -                         | -                                | -                                     |
| <b>Net funds excluding CSF</b> | <b>128,509</b>                   | <b>95</b>                      | -                         | <b>(1,929)</b>                   | <b>126,675</b>                        |
| CSF leases                     | (6,696)                          | 2,193                          | (175)                     | 305                              | (4,373)                               |
| Customer-specific other loans  | (2,616)                          | 1,089                          | -                         | -                                | (1,514)                               |
| <b>Total CSF</b>               | <b>(9,312)</b>                   | <b>3,282</b>                   | <b>(175)</b>              | <b>305</b>                       | <b>(5,887)</b>                        |
| <b>Net funds</b>               | <b>119,197</b>                   | <b>3,377</b>                   | <b>(175)</b>              | <b>(1,624)</b>                   | <b>120,788</b>                        |

## 10 RELATED PARTY TRANSACTIONS

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

Biomni provides the Computacenter e-procurement system used by many of Computacenter's major customers. An annual fee has

been agreed on a commercial basis for use of the software for each installation. Both PJ Ogden and PW Hulme are Directors of and have a material interest in Biomni Limited.

Triage Services Limited mainly provides IT hardware repair services to many of Computacenter's customers. MJ Norris is a Director of and has a material interest in Triage Services Limited.

The table below provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

|                         | <b>Sales to related parties<br/>£'000</b> | <b>Purchases from related parties<br/>£'000</b> | <b>Amounts owed to related parties<br/>£'000</b> |
|-------------------------|---|---|--|
| Biomni Limited          | 3   | 817   | -  |
| Triage Services Limited | -   | 1,142   | 55   |
|                         | <b>3</b>                                  | <b>1,959</b>                                    | <b>55</b>  |

#### **Terms and conditions of transactions with related parties**

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's-length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. The Group has not recognised any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

#### **Compensation of key management personnel (including Directors)**

The Board of Directors is identified as the Group's key management personnel. A summary of the compensation of key management personnel is provided below:

|   | <b>2016<br/>£'000</b> | <b>2015<br/>£'000</b> |
|---|-----------------------|-----------------------|
| Short-term employee benefits                        | <b>1,407</b>          | 2,092                 |
| Social security costs                               | <b>604</b>            | 374                   |
| Share-based payment transactions                    | <b>1,565</b>          | 942                   |
| Pension costs                                       | <b>19</b>             | 29                    |
| Total compensation paid to key management personnel | <b>3,595</b>          | 3,437                 |

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