

Computacenter plc  
2006

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# Annual report and accounts

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COMPANIES HOUSE

**RON SANDLER** CHAIRMAN

‘Considerable efforts have been made in recent years to improve the strategic positioning and operating efficiencies of Computacenter. The early signs of progress are evident in our 2006 performance.’

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# Highlights

## FINANCIAL HIGHLIGHTS:

- Group revenues of £2.27 billion (2005: £2.29 billion)
- Operating profit of £33.6 million before exceptional items (2005: £29.3 million)
- Pre-exceptional profit before tax of £38.0 million (2005: £35.7 million)
- Pre-exceptional diluted earnings per share of 13.8p (2005: 11.8p)
- Final dividend of 5p per share, total dividend 7.5p (2005: 7.5p)
- Return of £74.4 million to shareholders in July 2006
- Net funds before customer-specific financing of £29.4 million (2005: £101.0 million)

## OPERATING HIGHLIGHTS:

- UK Product business showing benefits of re-engineering with improved performance and market share
- In UK Services, a strong performance from Technology Solutions unit compensating for slower growth from contractual services
- Continued effort to expand and strengthen the Group's services capability, augmented by the acquisition post year-end of Digica
- Good underlying progress in the German business, however higher than expected costs for the implementation of new shared datacentre contracts

# Computacenter operations

Computacenter is a leading European IT infrastructure services provider.

We add value to our customers by advising on IT strategy, deploying appropriate technologies, and managing elements of their infrastructures on their behalf. Our operations in the UK, Germany, France and Benelux are complemented by a wider global network of services facilities and partnerships.

## BUSINESS ACTIVITY

### INFRASTRUCTURE SERVICES

We optimise, support and manage our clients' IT infrastructures. This can include integration and project management, maintenance, help desk and disaster recovery services. It can also mean taking full contractual responsibility for clients' IT infrastructures to reduce their costs and improve their service levels.

### PRODUCT SUPPLY

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

### TRADE DISTRIBUTION

Through CCD, our trade distribution division, we provide smaller resellers with hardware, software and technology configuration.

### FROM DESKTOP TO DATACENTRE

52% of our revenues come from providing services and supplying networking and enterprise technologies.

### DEFINITIONS

PERSONAL SYSTEMS: DESKTOPS, LAPTOPS, MONITORS  
PRINTERS, PERIPHERALS, CONSUMABLES  
NETWORK: SERVER, STORAGE, SERVERS (INTEL & UNIX)  
STORAGE, NETWORKING & SECURITY  
SOFTWARE: WINTEL & ENTERPRISE SOFTWARE  
SERVICES: PROFESSIONAL SUPPORT & MANAGED SERVICES  
3RD PARTY SERVICES ACROSS GROUP: 3RD PARTY RE-SOLD SERVICES

## OUR REGIONS

### UNITED KINGDOM

**Offices:** Aberdeen, Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Hatfield, London, Manchester, Milton Keynes, Reading, Watford

#### GROUP REVENUE BY BUSINESS TYPE 2006

1	32%	PERSONAL SYSTEMS
2	28%	NETWORK SERVER STORAGE
3	11%	SOFTWARE
4	24%	SERVICES
5	5%	3RD PARTY SERVICES

#### UK REVENUE BY BUSINESS TYPE 2006

1	32%	PERSONAL SYSTEMS
2	29%	NETWORK SERVER STORAGE
3	12%	SOFTWARE
4	22%	SERVICES
5	6%	3RD PARTY SERVICES

## OUR GLOBAL REACH

Computacenter provides trans-national services across 120 countries through its own operations and its partner network. These are supported by shared service facilities in the UK, Germany, Spain, South Africa and Malaysia.

Computacenter service facilities  
Partner network and  
service facilities

### GERMANY

**Offices** Berlin, Erfurt, Frankfurt, Hamburg, Hanover, Kerpen, Kiel, Leipzig, Ludwigshafen, Munich, Nuremberg, Ratingen, Stuttgart

### FRANCE

**Offices.** Antony Bordeaux, Dijon, Grenoble, Lille, Lyon, Marseille, Nantes, Nice, Orléans, Paris, Pau, Rennes, Rouen, Strasbourg, Toulouse, Roissy

### BENELUX

**Offices** Brussels, Amsterdam, Luxembourg

#### GERMANY REVENUE BY BUSINESS TYPE 2006

1	19%	PERSONAL SYSTEMS
2	33%	NETWORK SERVER STORAGE
3	9%	SOFTWARE
4	34%	SERVICES
5	5%	3RD PARTY SERVICES

#### FRANCE REVENUE BY BUSINESS TYPE 2006

1	56%	PERSONAL SYSTEMS
2	14%	NETWORK SERVER STORAGE
3	14%	SOFTWARE
4	12%	SERVICES
5	4%	3RD PARTY SERVICES

#### BENELUX REVENUE BY BUSINESS TYPE 2006

1	50%	PERSONAL SYSTEMS
2	21%	NETWORK SERVER STORAGE
3	5%	SOFTWARE
4	24%	SERVICES
5	0%	3RD PARTY SERVICES

## Our performance

The steep fall in revenue in recent years was arrested in 2006. In particular, we grew our services business, saw continuing growth in enterprise product revenues and saw increased sales in the UK mid-market.

### KEY PERFORMANCE INDICATORS

#### OPERATING PROFIT GROWTH

#### SERVICES REVENUE GROWTH

GROUP OPERATING PROFIT\* 2003–06

GROUP SERVICES REVENUES 2003–06

INCREASE IN OPERATING PROFIT\*

**+14.5%**

INCREASE IN GROUP SERVICES REVENUES 2005–06

**+3.9%**

Before exceptional charges

## OPERATING COUNTRY HIGHLIGHTS

## UNITED KINGDOM

## HIGHLIGHTS

- REVENUES DECLINED BY 5.2% TO **£1.28 BILLION** (2005: £1.35 BILLION)
- OPERATING PROFIT INCREASED TO **£37.5 MILLION** (2005: £32.1 MILLION)
- PROFESSIONAL SERVICES REVENUES GREW BY **10.6%**
- SERVICES BUSINESS ENHANCED VIA **ACQUISITION OF DIGICA LIMITED** FOR £28 MILLION
- MID-MARKET SALES GREW OVER **40%**

## GERMANY

## HIGHLIGHTS

- REVENUES GREW BY 5.9% TO **£654.7 MILLION** (2005: £618.2 MILLION)
- PROFITS DECLINED TO **£2.8 MILLION** (2005: £5.0 MILLION)
- LOSS OF **£6.2 MILLION** RELATED TO START-UP OF 2 CONTRACTS EXPECTED TO STABILISE IN 2007
- UNDERLYING IMPROVEMENT IN PERFORMANCE INCLUDING **STRONG TRADING** AT YEAR END

## FRANCE

## HIGHLIGHTS

- REVENUES UP 3.9% TO **£307.3 MILLION** (2005: £295.8 MILLION)
- PRE-EXCEPTIONAL OPERATING LOSS DOWN 15.0% TO **£6.5 MILLION** (2005: £7.6 MILLION)
- ONGOING FOCUS ON COST REDUCTION LED TO EXCEPTIONAL CHARGES OF **£5.0 MILLION** (2005: £1.7 MILLION)
- PROMISING MAINTENANCE AND ENTERPRISE **BUSINESS GROWTH**

## BENELUX

## HIGHLIGHTS

- REVENUES GREW BY 33.1% TO **£26.5 MILLION** (2005: £19.9 MILLION)
- PROFITS DECLINED TO A LOSS OF **£191,000** (2005: £109,000) MAINLY ATTRIBUTABLE TO OUR LUXEMBOURG BUSINESS
- **INCREASED PROFIT** CONTRIBUTION FROM PRODUCT SUPPLY

## ENTERPRISE PRODUCTS REVENUE GROWTH

## UK MID-MARKET REVENUE GROWTH

## GROUP NETWORK, SERVER AND STORAGE (NSS) REVENUES 2004-06

## UK MID-MARKET REVENUE GROWTH 2005-06

## INCREASE IN GROUP NSS REVENUES 2005-06

**+9.5%**

## INCREASE IN UK MID-MARKET REVENUES 2005-06

**+40%**

# Chairman's statement

**'Computacenter made steady progress during 2006. In each of the Group's three principal markets, management continued to make determined efforts to improve both strategic focus and operating performance.'**

RON SANDLER CHAIRMAN

Computacenter made steady progress during 2006. In each of the Group's three principal markets, management continued to make determined efforts to improve both strategic focus and operating performance.

The steep fall in revenue in recent years was arrested in 2006. Despite continuing product price erosion, revenues of £2.27 billion were only marginally lower than the previous year (2005: £2.29 billion), reflecting improvements in the competitiveness of our offerings and the increased focus on mid-market sales opportunities. Operating profit, before exceptional charges, increased by 14.5% to £33.6 million (2005: £29.3 million) and this figure includes approximately £6.2 million of losses arising in Germany associated with the start-up of two shared datacentre contracts. Taking into account non-operating exceptional charges of £5.0 million in France, operating profit increased by 3.2% to £28.5 million (2005: £27.7 million). A reduction in net interest receipts following the return to shareholders of £74.4 million in July resulted in a 3.2% fall in profit before tax to £32.9 million (2005: £34.0 million). The share consolidation that accompanied the return of capital had a beneficial impact on the Group's diluted earnings per share, which rose by 16.9% to 13.8 pence (2005: 11.8 pence) on a pre-exceptional basis, and by 1% to 11.0 pence (2005: 10.9 pence) after taking exceptional items into account.

Notwithstanding the £74.4 million return of capital, the balance sheet remained strong, with year-end net cash of £29.4 million (2005: £101.0 million), prior to customer-based loans and finance leases. Inclusive of these, the net funds of the Group finished the year at £10.8 million (2005: £100.4 million).

The Board is pleased to recommend a final dividend of 5.0p per share, bringing the total dividend for 2006 to 7.5p (2005: 7.5p).

This is consistent with our stated policy of maintaining the level of dividend until earnings have risen sufficiently to bring the cover to within the target range of 2 – 2.5x. The final dividend will be paid on 31 May 2007 to shareholders on the register as at 4 May 2007.

Operating profit in the UK increased by 16.8% to £37.5 million (2005: £32.1 million), principally as a result of improved gross margins on product sales. Our UK Product Division has been re-engineered in recent years to serve our customers more cost effectively, involving considerable investment in new e-commerce systems and a reorganisation of resources. These improvements are beginning to show benefit, both in terms of margin and in our market share. We also continue to target the mid-market segment through our telesales operation, Computacenter Direct, where revenues in 2006 grew in excess of 40%.

Technology Solutions, the consulting and systems integration unit within our UK Services Division, performed strongly and continued to enhance its reputation for technical excellence, particularly in datacentre-related activities. Professional services revenues grew by 10.6% in 2006. Elsewhere within the Services Division, performance was mixed. Margins in our contractual services business units, Support Services and Managed Services, remained attractive, partly as a result of further centralisation of resources within a shared services delivery model, however, in a disappointing year for contract renewals, revenues for contractual services increased by just 1.0% from the previous year.

In January 2007, we concluded the acquisition of Digica Limited for a consideration of £28 million, including the settlement of approximately £12 million of debt. Digica is a leading provider of infrastructure management and application services for medium sized public and



## OUR STRATEGY

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

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

private sector organisations, with particular expertise in datacentre managed services. Its operations are highly complementary to those of Computacenter, and the combination will give both businesses the opportunity to deliver a far broader offering to their respective client bases. This acquisition fits neatly with Computacenter's strategy of developing its contractual services business.

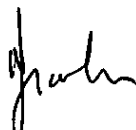
Computacenter Germany produced revenue growth of 5.9%, stimulated in the latter months of 2006 by the impending change to German VAT, which became effective in early 2007. Profit performance in Germany was less encouraging, with operating profit falling to £2.8 million (2005: £5.0 million), although this decline can be attributed to higher than anticipated start-up losses of £6.2 million associated with two shared datacentre services contracts. Nevertheless, this should not be allowed to obscure the encouraging underlying improvement in the German business. Services revenues, which account for over a third of the German total, grew strongly, particularly in Managed Services (both desktop and datacentre) and in telephony projects, including Voice Over IP.

The performance of Computacenter France remained unsatisfactory, although pre-exceptional operating losses for the year reduced from £7.6 million to £6.5 million. The restructuring during the first half of 2005 contributed to this improvement, although its benefits were mitigated by intense price competition in the French market and further product margin erosion as a consequence. Additional restructuring of the French cost base took place towards the end of 2006, resulting in an exceptional charge of £2.4 million, and we expect the business to show further progress in 2007 towards an eventual return to profitability. The financial statements also show a non-cash exceptional charge of £2.6 million representing an impairment of the French non-current asset base.

In October, I was pleased to announce that John Ormerod had joined the Board as a Non-Executive Director and also assumed the chairmanship of the Audit Committee. John brings a wealth of experience to both roles and I very much look forward to his involvement with the Group in the years ahead.

As we have stated before, it is difficult to draw any meaningful insights from current trading until we have completed the first quarter. Notwithstanding this, a considerable amount of work has taken place in recent years to improve the strategic positioning of Computacenter, through developing significantly the services capabilities and restructuring the cost base of our product businesses. Alongside these initiatives have been a series of operational enhancements, aimed at improving efficiencies in our core processes and at upgrading our sales capabilities. The combination of these activities positions the Group well for the future.

As always, the credit for the Group's performance belongs to the staff, to whom I offer my wholehearted thanks for their dedication and hard work.



**Ron Sandler**  
Chairman

## Chief Executive's review

**'UK Operating profit grew 16.8% to £37.5 million (2005: £32.1 million). The improvement came mainly from better product margins, but also reflected our success in penetrating new markets and delivering operational efficiencies.'**

**MIKE NORRIS** CHIEF EXECUTIVE OFFICER

### UK

UK revenues declined by 5.2% to £1.28 billion (2005: £1.35 billion). Modest services growth partially mitigated a product sales decline of 7.2%, which was principally due to our withdrawal from selected low margin volume sales in trade distribution.

Operating profit grew 16.8% to £37.5 million (2005: £32.1 million). The improvement came mainly from better product margins, but also reflected our success in penetrating new markets and delivering operational efficiencies.

### Services Division

Overall services revenues grew 3.1%, with strong Technology Solutions growth compensating for a disappointing 1.0% increase in contractual revenues.

We continued to focus on reducing operational costs and improving customer service. In particular, we sought to make more effective use of shared resources and tools for service delivery. The increased use of the Technical Resource Group, a flexible, shared engineering resource, across our client base, helped reduce our operational overheads significantly and made our offerings more competitive.

Throughout 2006, we saw a growth in contractual opportunities arising from an increase in the number of organisations seeking to split their service contracts across a range of specialist partners. These were typically for contracts of three to five-year terms, rather than the ten-year service engagements traditionally placed with large systems integrators.

The Services Division comprises three business units: Managed Services, Support Services and Technology Solutions.

### Managed Services

Despite a disappointing year for contract renewals, our Managed Services business unit grew revenues by 6.6% and improved its profit contribution.

The UK outsourcing market continues to grow at 4 – 5% annually. Promising market developments for Computacenter's business include increased interest from medium-sized organisations for desktop and datacentre managed services.

Our growth plans include the continued expansion and enhancement of our service desk and datacentre capabilities. This strategic focus led to the acquisition in early 2007 of Digica, a provider of infrastructure management and application services with a particular focus on medium-sized public and private sector organisations.

Managed Services successes in 2006 include a five-year £28 million distributed IT and datacentre outsourcing contract with Eversheds, a five-year £6 million contract with IT firm Parity to manage its entire IT infrastructure including its datacentre, and an extension in scope and terms of our contract with the Nuclear Decommissioning Authority.

### Support Services

A highly cost-conscious market led to an overall decline in our Support Services revenues. Performance from this business unit was strongest in the datacentre environment, where pressure on unit price was less intense.

Market demand was driven by clients seeking to centralise and consolidate their IT infrastructures to improve service and reduce both risk and costs. Growth also came from an increase in the subcontracting of support by large outsourcing organisations and systems integrators, a market upon which we placed particular focus in 2006. Such a partnership approach helped us secure a BT-subcontracted three-year hardware maintenance and support contract with Liverpool Direct.

Support Services continues to be strong in the traditionally attractive financial services market. In addition, our more recent efforts to improve our coverage of the mid-market, where there is greater growth potential, helped us win business with approximately 30 organisations that had not previously traded with Computacenter. We also saw growth in areas such as the retail sector, where we won a three-year contract with John Lewis Partnership for the support of all their desktops, laptops, printers and networks across the UK.

Other significant wins in the period include a three-year contract for the support of Taylor Woodrow's entire server estate.

#### Technology Solutions

Our Technology Solutions business grew strongly, with much of the growth coming from an increase in datacentre projects. With a majority of Technology Solutions projects in 2006 including a datacentre component, we sought to develop new offerings to answer client demand in this area. As a result, we are now able to offer an end-to-end datacentre solution for reducing operating costs, speeding up business applications deployment and improving environmental efficiency.

#### SERVICE DESKS EXTENDED

Our service desk capabilities were extended through our new multi-lingual shared service desk in Barcelona and the facility in Cape Town, RSA that comes as part of the Digica acquisition.

In addition, we benefited from closer integration with our product supply business, as an increasing number of clients chose to couple product supply with the purchase of project services.

A 15% increase in revenues from consulting and project management led to very high professional services activity, and helped the overall profitability of the Technology Solutions business. We now have a substantial pipeline for professional services projects in the UK and we anticipate further growth in this area.

We continued to refine our propositions to answer changing client requirements. For example, our shared risk approach to Technology Solutions projects, which answers a growing demand for assured outcomes rather than hired expertise, proved of interest to organisations seeking to reduce the risk and fix the cost of projects.

Significant new business in the period included a five-year contract with Doncaster College of Further Education, worth £6 million, for its new 35,000 sq m campus.

#### Product Division

Our ongoing programme of re-engineering our product business to deliver improved profitability and growth began to bear fruit in 2006. Following a decline in product revenues in 2005, we saw a stabilisation in revenues from end-user sales in 2006.

A 17% increase in product gross margins reflects our success in implementing improved business controls relating to product purchasing and supply. We also continued to lower the cost of sale through use of a lighter-touch sales model for product-only clients, enabled through our deployment of improved e-commerce systems.

## Chief Executive's review

### UK SOFTWARE REVENUES UP 7%

Our UK Software business, where we increased our investment in dedicated sales and marketing resources, grew revenues 7% during 2006

We benefited from our evolving product mix, with a still greater proportion of sales coming from network, server and other enterprise technologies. This was partly driven by the increased criticality of enterprise systems and partly by the growth of our Technology Solutions business, where such technology is often part of a bundled solution.

The Product Division comprises four business units: Corporate Hardware, Software, Computacenter Direct and CCD.

#### Corporate Hardware

Technology sales to end-users increased slightly, although following a major investment in the latest version of our webshop, Connect 6, we experienced 28% growth in online revenues. Web sales now comprise over 16% of all hardware orders.

Product margins benefited from an increase in business with the financial sector, as well as the growing enterprise technology proportion in the product mix. We saw particularly strong growth in our Sun, EMC, Cisco and IBM enterprise business.

With price competition still intense in the product market, the Corporate Hardware business sought to enhance the range of supply-related value propositions it provides to customers. In particular, we focused on developing and communicating our offerings in the areas of managed multi-vendor procurement contracts, extensive multi-site deployments and environmental advisory services.

Significant new product business includes a £50 million contract with the ATLAS Consortium, covering managed supply and deployment services to support the Defence Information Infrastructure (Future) programme within the UK Ministry of Defence.

### GROUP SERVICES CONTRACT BASE 2003-06

#### CONTINUING CONTRACT BASE GROWTH

Our services contract base across the Group continued to grow year on year.

#### Software

Our Software business grew revenues 7% during 2006. Growth was across our vendor base, and partly a result of an expanding software services market.

The increased threat of vendor audits, rising merger activity and the business disruption of off-shoring, all drove clients to look for greater security, efficiency and agility in software purchasing. Many of these organisations sought help to ensure compliance, consolidate multi-vendor agreements and renegotiate licence terms.

To capture better these opportunities, we increased our investment in dedicated sales and marketing resources. Whilst this has had some short-term impact on this unit's profit contribution, it is envisaged that future software business growth will be achieved without the requirement to add further to the cost base.

Significant successes in 2006 include a renewal of Microsoft licences with BAA in a three-year Direct Enterprise Agreement.

#### Computacenter Direct

This business unit, targeting the growing medium-sized business market, continued to grow strongly, with improved product margins and revenue growth in excess of 40%.

Recruitment of additional sales staff helped drive a 23% increase in product volumes, predominantly related to server technology. This, together with our increasing success in attaching deployment and integration services to technology supply, contributed to an increased profit contribution from this unit.

Computacenter Direct continues to attract new clients, and now has over 1,500 trading customers. We are confident of continuing growth in the mid-market sector.

#### SERVICES GROWTH IN GERMANY

In Germany, we continued to attract new business, leading to 22% contract base growth

#### CCD

Following a management reorganisation in 2006, CCD, our trade distribution arm, sought to reduce its exposure in a small number of unprofitable, high volume accounts. As a result, we saw rising margins and profitability in the second half of the year.

Profit performance also benefited from a merger of the two operating units comprising CCD, reducing our operating costs and streamlining the sales operation. Increased sales focus led to a number of notable successes during the year, in particular the growth of our IBM System X server revenues, which significantly increased CCD's market share in these systems, and the successful introduction of a focused server-based computing initiative in partnership with HP.

The management team was further strengthened in the last quarter and a comprehensive sales development plan has been initiated to underpin the business during 2007 and beyond. Although market conditions are expected to remain fiercely competitive, management believe that we are well placed to build on the improvements seen in 2006.

#### RDC

After breaking even in the previous year, RDC, our technology recycling and remarketing operation, returned to profit in 2006. Our margin on remarketing services increased by 15.1% and we continued to be profitable in Germany.

Our success in 2006 was in part due to a renewed sales focus in the first half of the year, with the launch of Computacenter Asset Recovery Services and the creation of a new frontline sales team instrumental in a number of service wins.

Throughout 2006 we saw significant successes in both our direct business, and business won with Computacenter accounts. We

now see a healthy sales pipeline, which we anticipate should provide a secure platform for profit and revenue growth in 2007.

#### Germany

Computacenter Germany recorded revenue growth of 5.9% to £654.7 million, although full-year operating profits declined 44.2% to £2.8 million (2005: £5.0 million).

The fall in profitability was largely due to the implementation of two shared datacentre contracts, and the creation of the underlying infrastructure, which collectively produced a loss of approximately £6.2 million. Whilst elements of this were planned costs of start-up, these losses were on an unacceptable scale and considerable efforts were made in the second half of the year to rectify the failings. We are confident that this has now been achieved.

This has obscured to some extent a marked underlying performance improvement in the German business. Trading was particularly strong at the year-end. Although this may signify a developing recovery in the German market, some of this growth appears to have arisen from additional spending by clients ahead of the VAT increase in Germany in early 2007.

Sales growth also came from an increase in Managed Services business, as clients turned to outsourcing to help reduce IT operational costs. Overall, we continued to attract new business, with some significant wins and renewals leading to 22% contract base growth.

As elsewhere, an increased proportion of our product business came from sales of enterprise technology. We saw particular growth in networking offerings, reflecting the further commoditisation of the PC and laptop business and our increased focus on business-led solutions.

## Chief Executive's review

### ERFURT SERVICE DESK IN-SOURCED

To support the provision of a more international service to large global customers such as Adidas, we took full responsibility in October for our previously partnered Service Desk facility and its 120 employees in Erfurt

In our Technology Solutions business, we continue to see the fruits of the investment made five years ago in the development of Voice Over IP telephony and Voice on Demand. Revenues from this competitive but highly profitable market segment were twice their 2005 value and we expect them to continue to grow attractively in 2007

To support a growing requirement for the provision of a more international service to large global customers such as Adidas, we took full responsibility in October for our Service Desk facility and its 120 employees in Erfurt. This was previously managed via a joint venture with Sellbyte! Through stronger integration with our other facilities in Milton Keynes (UK) and Barcelona, this will help us build a more integrated international service centre network

Significant wins include a five-year outsourcing contract with Union Investment IT for DZ Bank Gruppe, worth up to £60 million in product and service sales. We will provide an end-to-end service to include support of approximately 10,000 workstations and the outsourcing of the client's datacentre, with all service managed on our systems

Other successes include a three-year Europe-wide contract with Airbus, worth 30 million euros, and major extensions of our contracts with Daimler Chrysler, for network support of its Mercedes Technology Centre, and with Bosch, to include the support of 38,000 workstations over a three-year term

### France

Performance in France remains unsatisfactory, although pre-exceptional operating losses reduced 15.0% to £6.5 million (2005 £7.6 million) as revenues grew 3.9% to £307.3 million (2005 £295.8 million). Taking into account the effect of exceptional charges, which related to additional restructuring of the French business, operating loss increased from £9.3 million in 2005 to £11.5 million

Despite further product margin erosion over 2006, we saw a slowdown of the trend over the first nine months and a slight improvement in margins in the last quarter. Encouragingly, services margins improved over the year and we completed the final stages of business take-on of our largest multinational services contract

We benefited from our ongoing focus on reducing the cost base in France in both people and non-people expenses and we intend to continue with these measures in 2007. We also saw some promising product and services sales growth, particularly in the second half of the year

The growth of our profitable maintenance business was another key focus, with the launch of a comprehensive sales training programme designed to improve the identification, qualification and capture of these opportunities. We are already starting to see the benefits of this programme, with a significant increase in maintenance business over the period and into 2007. A similar sales training programme for enterprise products, which are less subject to price pressures than desktop systems, led to an expansion of our team of IBM technical consultants and helped grow our IBM revenues by 13%

#### KEY CUSTOMER WINS

Significant new Group business won in 2006 included John Lewis Partnership, the UK Defence Ministry, Bosch and Texas Instruments

#### FRENCH MAINTENANCE GROWTH

We are starting to see the benefits of a new sales training programme in France, with a significant increase in our profitable maintenance business

Significant wins include a three-year managed services contract with Texas Instruments France, worth approximately £2 million. The contract scope includes help desk provision, installations, maintenance, disposal and support for more than 3,500 devices. We also secured a five-year enterprise and professional services contract with the Centre National d'Etudes Spatiales (CNES) worth £13 million.

#### Benelux

Our Benelux operation recorded an operating loss of £191,000 (2005 £109,000). The Belgium and Netherlands business achieved a break-even result, in spite of costs arising from the development of new communication and storage business units to address rising demand in those markets. Our sub-scale Luxembourg operation recorded an overall loss.

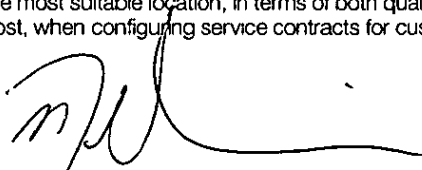
Product supply performed strongly, with an increased profit contribution, as did Managed Services, mainly from the growing financial sector.

Key wins included a renewal on product supply with Pioneer, a technology refresh project at SWIFT, a desktop managed services contract with Burgo Ardennes, and a CRM project for the European salesforce of Ansell.

#### International

We saw increasing client interest in our international capabilities in 2006, with a number of contract wins and extensions having a multi-country component. Typically these were with multinational organisations headquartered in Europe, such as Cognis, which outsourced its global IT infrastructure to Computacenter, including management of its datacentre and service desk.

Our service facilities have been extended through the building of a multi-lingual shared service desk in Barcelona and through the service desk capability in Cape Town, RSA that comes as part of the Digica acquisition. This enables Computacenter to determine the most suitable location, in terms of both quality of service and cost, when configuring service contracts for customers.



**Mike Norris**  
Chief Executive Officer

# Risk management

## CONTROLLING RISK

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

The Group has wide ranging programmes designed to identify risks, develop and implement an appropriate range of controls, and ensure that these controls are suitably resilient. These activities are further described in the Group's Corporate Governance Statement. Summarised below are some of the principal risks that present a material threat to the successful implementation of the Group's strategy, categorised into strategic risks, operational risks and hazards. Financial risks are described in the Finance Director's Review.

Strategic risks are those arising principally from external events. These include the following:

- The Group's profits are exposed to continuing erosion in the unit price of the IT equipment that it sells. This is mitigated by efforts to reduce costs and by continually refocusing the selling activity on those products and services that offer the highest margin potential.
- A significant proportion of the Group's revenues arise from a small number of key vendors who have considerable scale and market strength. Deterioration of vendor terms presents a risk, which the Group seeks to mitigate through further growth of its multi-vendor portfolio, continuing to build its services activities, and the development of strong customer relationships.
- In the Group's contractual services activities, there is a trend in the market towards shorter-term service engagements and the requirement to commit to quantified cost reduction over the term of the contract. The Group seeks to mitigate these risks through continuing to develop higher value service offerings and through widening the client base, particularly in the mid-market sector.

Operational risks are those arising from failures in internal processes, people and systems. These risks, which can be mitigated by internal controls and proactive intervention, include the following:

- The dynamic nature of the industry brings the risk that new generation service contracts may be entered into, without a full comprehension of all of their commercial consequences. Management controls are constantly being reviewed across the Group to minimise this risk.
- An inability to attract and retain key management and operating personnel could damage operational efficiency. In response, the Group seeks to maintain its focus on succession planning, talent identification and training and development.

Hazards constitute perils such as fire and flood, which could harm the Group's ability to deliver services and products. Whilst the likelihood of the loss of an entire facility of the Group has been assessed as low, the severity may be significant. In mitigation, risk prevention and control measures are maintained and continuity plans are implemented and monitored through a test plan. Similar mitigation has been applied to the risk of pandemic illness. The Group also maintains insurance cover for certain of these risks.



## Our clients

At Computacenter we are committed to delivering IT services and solutions that enable our customers to meet their goals. The following four pages demonstrate just some of our client engagements and the benefits we have realised for these organisations.

## Our clients

**Cognis**  
Global standardisation and  
increased business agility

### COGNIS

#### INDUSTRY **SPECIALIST CHEMICALS**

More than ever, organisations today look to the IT function to give them the business agility they need to stay ahead of their competitors. For Cognis, that means being able to flex its IT resources in line with demand and freeing its staff to focus on applications development. By outsourcing its global IT infrastructure to Computacenter, Cognis is able to offer datacentre services via an 'on-demand' model, allowing the company to adjust quickly to changes in the market. The contract also includes the operation of Cognis' complete service desk in 14 languages, desktop services for 6,500 workstations, and 120 local area networks across 30 countries. A more standardised approach to procurement and support is also helping Cognis reduce the costs of IT procurement and support.

#### BUSINESS CHALLENGE

Achieve greater business agility through a more standardised, cost-effective IT infrastructure

#### THE SOLUTION

Outsource global IT infrastructure

#### RESULTS

Lower purchase and support costs  
Increased business agility  
Freed up IT resources

#### KEY SERVICES

International service desk  
Managed datacentre  
Managed network operations  
Technology migration and roll-out

#### CUSTOMER

## UNIPART

### INDUSTRY LOGISTICS AND DISTRIBUTION

Competitive advantage can be greatly influenced by IT systems, so it is essential that companies have access to the right technology to support business growth. When Unipart Logistics realised that its current infrastructure could not support the upgrade of a core supply chain application, it embarked on a complex refresh programme. By working with Computacenter, Unipart was able to de-risk the roll-out of the new server and storage infrastructure and ensure it maximised its investment in the new platform. As a result of the new infrastructure, Unipart will not only be able to enhance its logistics services to customers but also reduce operational overheads.

#### BUSINESS CHALLENGE

Ensure logistics services remain competitive and prevent the escalation of operational costs.

#### THE SOLUTION

Deploy a cost-effective server infrastructure that can support new services and applications.

#### RESULTS

Lower total cost of ownership  
Increased flexibility  
Ability to launch new customer services

#### KEY SERVICES

Planning and design  
Product supply  
Installation

### CUSTOMER

**Unipart**  
Supporting business growth  
and reducing overheads

## Our clients

### ARCADIA

#### INDUSTRY RETAIL

Reliance on desktops for access to core applications and systems means that hardware availability has become a key concern for corporate IT departments. To ensure it could provide users with a responsive and cost-effective service, Arcadia Group consolidated its desktop maintenance contracts into a single end-to-end agreement with Computacenter. The agreement covers a range of services, such as configuration, asset disposal and hardware installation, across Arcadia's 3,000 desktops as well as some of its printer and server estate. The seven-year partnership with Computacenter has not only enabled Arcadia to dramatically reduce its IT operational costs but also free up internal IT resources and achieve consistent service delivery.

#### BUSINESS CHALLENGE

Ensure user productivity is not impacted by poor desktop maintenance

#### THE SOLUTION

Sign up to an end-to-end desktop maintenance contract that offers ongoing cost savings

#### RESULTS

Improved service levels and fix rates  
Significant reduction in maintenance costs  
Simplified supplier management

#### KEY SERVICES

Product supply  
Re-deployment and disposal  
Maintenance

#### CUSTOMER

## Arcadia

Improved end-user service and  
40% operational cost reduction

## **NORTH YORKSHIRE COUNTY COUNCIL**

INDUSTRY **GOVERNMENT**

To meet efficiency and regulatory compliance objectives, North Yorkshire County Council embarked on a complex transformation of its ICT infrastructure. The overhaul encompasses a range of systems and processes – from backup and email archiving to desktop operating environments and server virtualisation. The transformation is being implemented with help from Computacenter, and has already provided the council with a dedicated records management system to aid compliance with the Freedom of Information Act. Thanks to this and other ICT projects, the council will be able to enhance staff productivity and reduce overheads as well as support the future needs of the council and residents.

### **BUSINESS CHALLENGE**

Meet government targets for efficiency and regulatory compliance

### **THE SOLUTION**

Deploy new technologies and best practice processes to transform ICT infrastructure

### **RESULTS**

- Improved efficiency
- Enhanced regulatory compliance
- Freed up IT resources
- Reduced operational costs

### **KEY SERVICES**

- Datacentre support
- Desktop support
- Supply chain services
- Portfolio management

### **CUSTOMER**

# **North Yorkshire County Council**

## **Optimised datacentre and desktop systems**

## Finance Director's review

**'Revenues for the year of £2.27 billion represented a reduction of 0.7% from 2005. Pre-exceptional pre-tax profits improved from £35.7 million to £38.0 million.'**

TONY CONOPHY FINANCE DIRECTOR

### Turnover and profitability

Revenues for the year of £2.27 billion represented a reduction of 0.7% from 2005. A decline in product revenues of 2.0% was partially offset by an increase in services revenues of 3.9%. Revenues in the French and German businesses improved in the year, whereas revenue in the UK declined by 5.2%, principally due to our withdrawal from selected low margin volume sales in trade distribution.

Pre-exceptional pre-tax profits improved from £35.7 million to £38.0 million. Taking into account exceptional charges in France of £1.7 million and £5.0 million respectively, profit before tax reduced from £34.0 million to £32.9 million.

### Operating profit

Group pre-exceptional operating profit improved by 14.5% from £29.3 million to £33.6 million.

- In the UK, despite a 5.2% fall in revenues, gross profit increased by 7.1%, with the gross margin percentage improving from 12.6% to 14.2%. The gross margin improvement is due to both improved business mix and some underlying margin improvement. Other operating expenses increased by 4.8%, partially as a result of the reclassification of approximately 90 heads from 'cost of goods sold' to 'other operating expenses', following the 2005 business restructure. UK operating profit increased by 16.8% from £32.1 million to £37.5 million.

Product sales in the UK declined by 7.2%, principally reflecting our withdrawal from selected low margin volume sales in our trade distribution business. In the end-user business product pricing continued to be under pressure throughout the year, however margins improved, mainly as a result of a more favourable business mix.

Services revenues in the UK increased by 3.1%. The growth was driven by a 10.6% improvement in professional services revenues, whereas support and managed services revenues grew by just 1.0%. Despite a disappointing year for contract renewals, managed services revenues improved by 6.6%, however this was offset by a decline in support services revenues, which were subject to substantial unit cost pressures.

- In Germany, operating profit fell from £5.0 million to £2.8 million. Revenues increased during the year by 5.9%, with a 6.3% growth in product revenues and a 5.1% growth in services. In 2005 we reported resold third party services within managed services revenues in Germany. We now can separately identify these revenues, and now report this within product revenues and have accordingly reclassified £12.9 million of revenue in the 2005 comparative amounts.

The fall in profitability was largely due to the implementation of two new shared datacentre contracts, and the development of the underlying infrastructure, generating a loss of some £6.2 million. Whilst these two new contracts reflect Computacenter's objective of taking more end-to-end responsibility in our infrastructure service contracts, these initial losses much greater than expected. Steps have now been taken to rectify the specific problems associated with these contracts and to improve the bid review process in Germany to avoid any such unanticipated losses in the future.

Setting aside these contracts, the underlying business has performed more strongly in 2006, with trading particularly strong towards the end of the year, partly as a result of clients bringing forward their purchasing decisions ahead of the VAT increase in Germany in early 2007. In addition, tighter cost controls ensured that operating expenses reduced by 2.5% to £80.6 million, despite a 1.1% increase in indirect headcount.

TABLE 1 - GROUP REVENUES

	Half 1	Half 2	Total
2004	1,228.9	1,181.7	2,410.6
2005	1,151.6	1,133.6	2,285.2
2006	1,114.9	1,155.0	2,269.9
06/05	(3.2%)	1.9%	(0.7%)

TABLE 2 - PRE-TAX PROFIT (pre-exceptionals)

	Half 1	%	Half 2	%	Total	%
2004	30.1	2.4%	37.8	3.2%	67.9	2.8%
2005	9.9	0.9%	25.8	2.3%	35.7	1.6%
2006	14.5	1.3%	23.5	2.0%	38.0	1.7%
06/05	46.8%		(8.9%)		6.5%	

In October 2006 we disposed of the shares in our associate, HelpByCom (a Service Desk facility), and in return took full responsibility for their facility and its 120 employees in Erfurt, resulting in a profit on disposal of £0.3 million.

- In France the financial performance was unsatisfactory albeit showing some signs of improvement, with the pre-exceptional operating loss reducing from £7.6 million to £6.5 million. Taking exceptional charges into account, the operating loss increased from £9.3 million to £11.5 million. Despite revenues growth of 3.9%, product price declines affected margin performance. The gross profit percentage reduced from 9.8% to 9.0% in 2006, although towards the end of the year there was a slight margin improvement. The usual seasonal factors drove an improvement, resulting in a reduced loss of £1.1 million in the second half of 2006.

Services margins in France improved over 2005 as a result of the services transformation project, (which resulted in redundancy costs of £1.7 million in the first half of 2005). Ongoing cost control contributed to a further reduction in other operating expenses of 6.5% to £34.2 million. In order to better align the indirect cost base of the business, an additional £2.4 million redundancy charge has been incurred during the fourth quarter, classified within exceptional charges.

- Revenues in the 'Benelux' region increased by 33.1% principally as a result of one very large low margin product fulfillment deal. As a result, gross margin percentage reduced from 11.6% to 9.3% in the year. Other operating expenses increased by 9.5% to £2.6 million due to investment in a communication and storage business unit. Overall the operating performance was a loss of £0.2 million, compared to an operating loss of £0.1 million in 2005.

#### Exceptional items

A £5.0 million exceptional charge has been incurred in France in the year. A restructure of the French indirect cost base took place towards the end of 2006, resulting in an exceptional charge of £2.4 million. A redundancy charge of £1.7 million, which had previously been classified within operating expenses in 2005, has been reclassified into exceptional charges in order to provide an appropriate comparative.

There was a further non-cash exceptional charge of £2.6 million, representing an impairment of the French non-current asset base as the short-term forecast cash flows did not support the pre-impairment asset value.

#### Return of capital and interest

On 3 July 2006 the Company effected a 5 for 6 capital reorganisation. As a result of consolidation, 190,876,000 ordinary shares of 5p became 159,063,000 ordinary shares of 6p.

There was an associated cash outflow of £74.4 million, and as a consequence the net interest received in the second half of 2006 reduced in the order of £1.9 million.

#### Earnings per share and dividend

The return of capital during the year has helped to enhance earnings per share measures in excess of the improvements delivered by profitability gains. Diluted earnings per share, on a pre-exceptional basis, increased from 11.8p to 13.8p, an increase of 16.9%. After exceptional charges, diluted earnings per share increased by 0.9% from 10.9p to 11.0p. It is our intention to maintain the total dividend for the year at 7.5p per share. The final dividend will be payable on 31 May 2007 to registered shareholders as at 4 May 2007.

## Finance Director's review

**'On 3 July 2006 the Company effected a 5 for 6 capital reorganisation. As a result of the consolidation, 190,876,000 ordinary shares of 5p became 159,063,000 ordinary shares of 6p.'**

TONY CONOPHY FINANCE DIRECTOR

### Cash flow and working capital

	2006	2005	Diff
Inventory days	23	23	0
Trade receivable days	58	51	7
Trade payable days	40	39	-1

Inventory levels decreased in line with product revenue from £100.2 million to £94.6 million whilst inventory days remained static at 23. The product business mix continues to shift towards enterprise sales, particularly around the end of the year, and these items are often not held in inventory, being usually delivered directly from the vendor to the end-user.

Trade receivable days increased substantially from 51 to 58. Whilst revenues are 0.7% lower, a higher proportion of sales were recorded in the last month of the year, which has resulted in the trade receivable days calculation being substantially higher than is normally the case. Germany was particularly affected, experiencing sales in December approximately 40% ahead of December 2005.

Trade payable days increased from 39 to 40. Due to the higher levels of business towards the end of the year, the trade payables balance and trade payable days were higher at the end of December 2005. However trade payable days did not increase as much as trade receivables, as the payment term with our major vendor is 14 days.

The cash generated from operations was £25.4 million (2005: £66.0 million). In relation to operating profit, cash generated from operations was 88.9% (2005: 238.5%). The movement in working capital was £24.2 million.

Cash and cash equivalents reduced by £73.9 million from £132.9 million to £59.0 million. Operating profit prior to depreciation and other non-cash charges together with net interest earnings totalled £54.0 million. These earnings financed working capital outflows of £24.0 million, corporation tax payments of £12.0 million, capital

expenditure of £9.0 million and dividends of £13.3 million. The key driver therefore for the reduction of cash and cash equivalents was the £74.4 million return of capital in July 2006.

Taking into account the factor financing facility in France, net funds prior to customer-specific finance leases and loans reduced by £71.6 million from £101.0 million to £29.4 million.

During the year, we entered into a number of customer-specific finance leases and loans, principally in relation to new datacentre offerings in the UK and Germany. Taking these into account, total net funds at the end of the year were £10.8 million, compared to £100.4 million at the start of the year, the reduction mainly driven by the return of capital mentioned above.

### Acquisitions

On 4 January 2007, Computacenter plc completed the acquisition of Digica Group from Bridgepoint Capital, Lyceum Capital (through its investment in Fox IT) and management shareholders. The consideration paid for Digica amounted to £15.9 million, in addition to which Computacenter settled assumed debt of £12.1 million, both of which were satisfied from cash reserves.

### Taxation

The effective tax rate (based on pre-exceptional profit before tax) for the Group was 36.9% compared to 38.1% in 2005. The improvement is mainly attributable to the reduction of unrelieved operating losses in France. This accounted for a 6.3% differential in the tax rate from the standard 30%.

### Financial instruments

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



TABLE 3 - REVENUES BY COUNTRY

	2006		2005	
	Half 1	Half 2	Half 1	Half 2
UK	661.1	620.4	715.5	635.8
Germany	297.7	357.0	300.0	318.2
France	141.7	165.6	126.2	169.6
Benelux	14.4	12.0	9.9	10.0
Total	1,114.9	1,155.0	1,151.6	1,133.6

TABLE 4 - OPERATING PROFIT BY COUNTRY

	2006				2005			
	Half 1	%	Half 2	%	Half 1	%	Half 2	%
UK	16.4	2.5%	21.1	3.4%	14.9	2.1%	17.2	2.7%
Germany	0.5	0.2%	2.3	0.7%	(1.5)	(0.5%)	6.5	2.0%
France	(5.4)	(3.8%)	(1.1)	(0.6%)	(6.2)	(4.9%)	(1.4)	(0.8%)
Benelux	(0.1)	(0.6%)	(0.1)	(0.9%)	(0.1)	(1.1%)	(0.0)	(0.0%)
Total	11.4	1.0%	22.2	1.9%	7.1	0.6%	22.3	2.0%

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.

#### Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, invoice factoring in France and finance leases for certain customer contracts. The Group's bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. We will continue to monitor this position to ensure that the interest rate profile is appropriate for the Group. When long-term borrowings are utilised, the Group's policy is to maintain these borrowings at fixed rates to limit the Group's exposure to interest rate fluctuations.

#### Liquidity risk

The Group's policy is to ensure that it has sufficient funding and committed bank facilities in place to meet any foreseeable peak in borrowing requirements. At 31 December 2006 the Group had £53.9 million (2005: £55.0 million) of committed bank facilities with maturities for up to 1 year, of which 81.3% (2005: 83.5%) were drawn down. In addition the Group has £79.0 million (2005: £59.2 million) of bank overdraft facilities.

The Group's net funds position at the year-end was £10.8 million. In combination with the above facilities the Group has a strong covenant and approximately £60 million of freehold property which combined should provide access to substantial additional funds to finance working capital movements and planned capital investment.

#### Foreign currency risk

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

currency exposure through forward currency contracts. For the UK, the vast majority of sales and purchases are denominated in sterling and any material trading exposures are eliminated through forward currency contracts.

#### Credit risk

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

**Tony Conophy**  
Finance Director



# Board of Directors

**RON SANDLER** CHAIRMAN

**PHILIP HULME**

**MIKE NORRIS** CHIEF EXECUTIVE OFFICER

**IAN LEWIS**

**TONY CONOPHY** FINANCE DIRECTOR

**PETER OGDEN**

**JOHN ORMEROD**

**CLIFF PREDDY**

**Ron Sandler (55)**  
**Chairman**

Ron has a degree in engineering from Cambridge and an MBA from Stanford University. His early career was with the Boston Consulting Group, and as Chief Executive of Martin Bierbaum Group and Exco plc. He was Chief Executive of Lloyd's of London from 1995 until 1999, and subsequently Chief Operating Officer of NatWest Group. He is Chairman of Kyte Group, Oxygen plc and Paternoster, and a Director of Fortis Group. Ron was appointed Chairman of Computacenter in May 2001.

**Mike Norris (45)**  
**Chief Executive**

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

**Tony Conophy (49)**  
**Finance Director**

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

**Philip Hulme (58)**

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

**Ian Lewis (46)**

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

**Peter Ogden (59)**

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

**John Ormerod (58)**

John is the Senior Independent Director of Misys Plc. He is also a Non-Executive Director of Gernalto NV, where he chairs the Audit Committee, and a member of the Audit Committee of HBOS plc. He was previously a member of the Deloitte UK Executive Committee and elected Board.

**Cliff Preddy (59)**

Cliff has worked in the IT industry for most of his professional career, including many years as an Executive Director of Logica plc. He is Deputy Chairman of Charteris plc, and a Non-Executive Director of CODA plc.

## Corporate governance statement

### 1 Compliance statement

The Board continues to recognise the importance of effective corporate governance in relation to the achievement of the Group's objectives. It has devised policies that seek to apply established best practice in order to achieve and maintain compliance with the Combined Code on Corporate Governance, as published in July 2003 and reviewed in November 2005 ('the Code'). The Board acknowledges its responsibilities under the Code, the principles and provisions of which it supports. This report details how the Company has applied those principles and provisions. The Board confirms that, save as detailed below, the Company has complied with the provisions of the Code throughout the financial year.

### 2 Board of Directors

#### Structure

The Board currently consists of three Executive Directors: Ron Sandler, Mike Norris and Tony Conophy, and five Non-Executive Directors: Philip Hulme, Ian Lewis, Peter Ogden, John Ormerod and Cliff Preddy. Details of the Directors, including their membership of Committees, are set out below and their biographies appear on pages 24 and 25. Ian Lewis, John Ormerod and Cliff Preddy are considered by the Board to be independent under the provisions of the Code and Cliff Preddy is the Senior Independent Director. Nick Cosh served as the Senior Independent Director until his resignation from the Board on 28 June 2006.

The Directors are aware that during the year under review, the structure of the Board did not comply with provision A 3.2 of the Code, which requires at least half the Board, excluding the Chairman, to consist of independent Non-Executive Directors. The Board and Nominations Committee have considered this matter carefully over the period and have sought to achieve a balance between the desirability of achieving compliance with this provision of the Code, and the requirement for the Board to function effectively and with continuity. This has led to the net addition of one independent Non-Executive Director during the year. Although the Company is still not compliant with the Code given the present size and composition of the Board, there are no plans to appoint any further Directors at the present time.

#### Decision making

The roles of Chairman and Chief Executive are split and there is a clear division of responsibilities between the two. In brief, the Chairman is responsible for the effective operation of the Board and for overseeing the strategic focus and performance of the senior management. The Chief Executive is responsible for the day-to-day management of the Group's activities. There is no individual who has unfettered powers of decision and no one individual or group of individuals who dominate the Board's decision making

processes. The Board believes that it oversees the Group effectively and is proactive in its approach. The Board is led by the Chairman, who is responsible for setting the agenda and ensuring its efficiency.

The Chairman facilitates the contribution of all Directors and is responsible for ensuring constructive relations exist between them. The Board sets the strategic aims for the Group and ensures that the necessary financial and human resources are in place to achieve these objectives. It is also responsible for reviewing the performance of management in order to ensure that they are meeting pre-agreed objectives.

There is a documented schedule of matters that are reserved for the Board and these matters include the approval of major capital expenditure and the agreement of strategies and budgets. This schedule was comprehensively reviewed by the Board during 2006. All of the Directors have access to the Company Secretary, Stephen Benadé, who is responsible for ensuring that all Board procedures are followed, applicable rules and regulations are complied with and the Board is updated on all governance matters. The Chairman ensures that new Directors receive a tailored induction and that all Directors are properly briefed on issues considered at Board meetings to enable them to effectively discharge their duties. All Directors receive relevant information in a timely manner. This includes detailed briefings on all matters where the Board is required to make a decision or to give its approval and regular reports on issues such as the trading performance and outlook. In addition, senior members of the management team are routinely invited to attend Board meetings, thereby ensuring Directors continually update their knowledge of, and familiarity with, the business of the Group. All of the Directors are entitled to obtain independent professional advice, at the Company's expense, where they believe it is important to the furtherance of their duties. The Company arranges insurance cover in respect of legal action against the Directors and in defined permissible instances, the Company is able to indemnify Directors against claims brought

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

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

Name	PLC Board	Independent	Audit Committee	Remuneration Committee	Nominations Committee
Ron Sandler	Executive Chairman	No	No	No	Chairman
Mike Norris	Executive	No	No	No	No
Tony Conophy	Executive	No	No	No	No
Nick Cosh <sup>1</sup>	Non-Executive until 28.06.06	Yes	Chairman	Yes	Yes
Philip Hulme	Non-Executive	No	No	No	No
Ian Lewis <sup>2</sup>	Non-Executive	Yes	Yes	Yes	Yes
Peter Ogden	Non-Executive	No	No	No	No
John Ormerod <sup>3</sup>	Non-Executive	Yes	Chairman	Yes	Yes
Cliff Preddy	Senior Independent Director	Yes	Yes	Chairman	Yes
Stephen Benadé	Secretary	n/a	Secretary	Secretary	Secretary

<sup>1</sup> Nick Cosh resigned from the Board on 28 June 2006.

<sup>2</sup> Ian Lewis was appointed to the Board on 15 June 2006.

<sup>3</sup> John Ormerod was appointed to the Board on 31 October 2006.

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

### Principal Board Committees

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

#### Audit Committee

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

For the meetings of the Committee during 2006, the Company was not compliant with provision C 3.1, which states that there should be at least three independent members of the Committee. This non-compliance was due to the resignations of Ghislain Lescuyer at the end of 2005 and Nick Cosh. Due to the resignation of the Audit Committee Chairman, Nick Cosh on 28 June 2006, no separate Audit Committee meetings were held in the latter half of the year. The business of the Committee was dealt with by the Board. The Committee membership has returned to compliance, with the appointments of Ian Lewis on 15 June 2006 and John Ormerod as Audit Committee Chairman on 31 October 2006, and meetings separate from the Board will convene in 2007. During 2006, the Committee met twice and attendance at those meetings is set out on page 28. The Board Chairman, Group Finance Director, Group Internal Audit Manager, Group Risk Manager and the external auditor are routinely invited to and attend the majority of meetings. Periodically, the Committee also meets privately with external auditors and the Group Internal Audit Manager.

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

#### Nominations Committee

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

The Committee Chairman is Ron Sandler, the Executive Chairman, and the other members are independent Non-Executive Directors. The Committee convened three times during 2006. Nick Cosh resigned from the Committee on 28 June 2006. In accordance with the provisions of the Code, the majority of the Committee is made up of independent Non-Executive Directors.

The Committee's responsibilities include leading the process for Board appointments, reviewing the Board composition, skills, knowledge and experience, and nominating candidates for both Executive and Non-Executive Directorships on the basis of merit and objective criteria. It also ensures that the procedures for the appointment of new Directors are formal, rigorous and transparent and that there is an orderly succession for appointments to the Board and senior management.

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

#### Remuneration Committee

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

All of the members of this Committee are independent Non-Executive Directors. Compliance with provision B 2.1 of the Code was not achieved for the entire year, due to the resignations of Ghislain Lescuyer at the end of 2005 and Nick Cosh in 2006. However, with the Non-Executive appointments in 2006, the Committee is once again compliant with the Code. Philip Hulme and Peter Ogden generally attend the Committee meetings by invitation. Ron Sandler attends meetings but absents himself when his own remuneration is considered.

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

Throughout 2006 the terms of reference for all Committees were available from the Company Secretary on request and were posted on the Company's website.

## Corporate governance statement continued

The attendance of the Directors at scheduled Board and Committee meetings held during 2006 was as follows

Director	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Number of scheduled meetings held	8	2	2	3
<b>Executive</b>				
Ron Sandler, Chairman	8	n/a	n/a	3
Mike Norris, Chief Executive	8	n/a	n/a	n/a
Tony Conophy, Finance Director	8	n/a	n/a	n/a
<b>Non-Executive</b>				
Nick Cosh <sup>1</sup>	3	2	2	2
Philip Hulme	7	n/a	n/a	n/a
Ian Lewis <sup>2</sup>	5	–	–	1
Peter Ogden	5	n/a	n/a	n/a
John Ormerod <sup>3</sup>	2	–	–	–
Cliff Preddy, Senior Independent Director	8	2	2	3

<sup>1</sup> Nick Cosh resigned from the Board on 28 June 2006

<sup>2</sup> Ian Lewis was appointed to the Board on 15 June 2006

<sup>3</sup> John Ormerod was appointed to the Board on 31 October 2006

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

It is inevitable that there will be occasions when circumstances arise to prevent Directors from attending meetings. In such circumstances, the usual practice is for the absent Director to review the Board papers and to raise any considerations on specific issues with the Chairman.

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

### 3 Directors' remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 30 to 33.

### 4 Relations with shareholders

The Executive Directors have regular contact with institutional shareholders (except during close periods) and dialogue with shareholders is generally accorded a high priority. The Company has a programme of meetings with its major institutional shareholders and presents to analysts at least twice a year, following the announcement of its interim and final results. The Chairman arranges for the Directors to receive regular reports on shareholders' views to ensure the Board develops an understanding of matters of concern to the major shareholders. Cliff Preddy, as Senior Independent Non-Executive Director, is available to answer any shareholder concerns that are unable to be resolved through regular channels. In addition to mandatory information, a full and balanced explanation of the business of all general meetings is sent to shareholders. The Board welcomes the attendance of individual shareholders at general meetings and the opportunity to

communicate with investors and address their questions. Resolutions at the Company's general meetings have been passed on a show of hands and proxies for and against each resolution (together with any abstentions) are announced at such meetings and noted in the minutes.

### 5 Internal controls

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

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

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

#### Responsibilities and authority structure

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

#### **Control environment**

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

#### **Planning and reporting processes**

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

#### **Risk management**

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

#### **Capital expenditure and investments**

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

#### **Centralised treasury function**

All cash payments and receipts are managed by centralised finance functions within each of the operating companies. Weekly reporting of cash balances to the Group Finance Department ensures the position of the Group as a whole, is properly controlled.

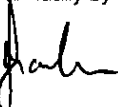
#### **Quality and integrity of staff**

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

#### **Internal audit**

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

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



**RA Sandler**  
Chairman

## Directors' remuneration report

### Remuneration Committee and advisors

The Remuneration Committee received external advice from Linklaters

Other Directors and employees of the Group who provided material advice or services to the Committee during the year were

Ron Sandler	Chairman
Stephen Benadé	Group Company Secretary
Tim Way	Group HR Director
Peter Ogden	Non-Executive Director
Philip Hulme	Non-Executive Director

The Committee takes into account comparative practice in the European technology sector, FTSE 250 companies and FTSE small caps

### Remuneration policy

The Committee makes recommendations and determines remuneration policy on the Board's behalf. No Director is involved in deciding his own remuneration. The Executive Directors determine the fees for Non-Executive Directors that reflect the time commitment and responsibilities of their roles, and the Committee is responsible for determining the appropriate policy for rewarding the Group's Executive Directors and senior management.

In implementing its policy, the Committee has given full consideration to the Principles of the Combined Code with regard to Executive Director remuneration, and is satisfied that it has complied with best practice provisions in this matter. In particular, the following objectives have been addressed:

- to attract, retain and motivate Executive Directors with the qualities required to run the Group successfully,
- to reward Executive Directors through remuneration arrangements that are competitive but not excessive,
- to provide Executive Directors with an incentive for the development and performance of the Group in the best interest of shareholders, and
- to ensure that a significant proportion of Executive Directors' remuneration is structured such that rewards are linked to corporate and individual performance.

The policy is designed to ensure that a significant proportion of the total remuneration is dependent upon personal and Group performance and aligns the interests of executives and shareholders. This is achieved through a combination of fixed and variable payments, benefits, share option schemes and the Performance Share Plan ('PSP'). The latter two total remuneration elements are referred to collectively as Equity schemes.

The various elements of Executive Directors' remuneration are shown below:

Element	Fixed basic salary	Bonus	Performance based Equity schemes	
			PSP	Share options
Maximum Award		75% of base salary	100% of base salary	125% of base salary
Purpose	Reflects competitive salary levels and takes account of personal contribution and performance	Rewards the delivery of Group operational performance and achievement of personal objectives	Improved motivation for senior executives to contribute to growth and profitability and better align the Group's incentive arrangements with shareholders' interests	Linked to the achievement of significant and sustained improvements in the Group's financial performance and to the creation of value through increased share price
Performance Standard	Individual contribution	Specific individual targets approved by the Remuneration Committee each year	EPS growth relative to RPI	EPS growth relative to RPI

Note: The Chairman is ineligible for a bonus award.

### Basic salary and benefits

In seeking to ensure that the basic salary and benefits for each Executive Director are appropriate and competitive, relevant external market data, as well as pay and conditions in the Group generally, are taken into consideration. The Chairman makes recommendations to the Committee in respect of the two other Executive Directors, based upon this information, together with an assessment of their individual performance against specific financial and non-financial goals, and the performance of the Group as a whole. Cliff Preddy, as Committee Chairman, is responsible for an equivalent process in respect of Ron Sandler's remuneration.

### Performance-related bonus scheme

Mike Norris and Tony Conophy participate in annual performance-related bonus schemes. 40% of the award is linked to the financial performance of the Group against a pre-agreed target, with the balance related to the achievement of specific personal objectives agreed with each of them for the year by the Chairman, and approved by the Committee. Performance conditions are relevant, challenging and designed to enhance shareholder value. For 2006, the maximum levels of bonus were 75% of base salary and Mike Norris earned £144,900 (2005: £100,125) and Tony Conophy £97,875 (2005: £100,800). Following a review by the Remuneration Committee, the maximum levels of bonuses for 2007 will be 75% of base salary.

### Equity schemes

#### Performance Share Plan

This plan now operates as the Company's main long-term incentive scheme for senior employees. The Executive Directors received rewards under this plan during 2006 and these awards were subject to performance criteria as detailed below.

The 2006 PSP performance target was based on the Group's annual adjusted earnings per share ('EPS') growth in relation to the retail price index ('RPI') and measured over a three year period. No shares subject to awards will vest if cumulative annual growth is less than RPI plus 3%. One quarter of the shares will vest at RPI plus 3%. Awards will vest in full if the Group's cumulative annual growth is at or above RPI plus 7.5%. If the Group's EPS growth over the period is between 3% and 7.5% above RPI, awards will vest on a straight line basis. There will be no retesting of the performance target. Awards under the PSP during 2007 will be subject to the same performance criteria.

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



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

#### Share options

The Executive Directors have historically been awarded executive share options under the Company's share option schemes. As the PSP is the main long-term incentive scheme, no such options were granted to the Executive Directors in 2006, although some grants were made to senior employees. Since 1998, these awards have ordinarily been subject to certain performance conditions that are challenging and designed to produce significant and sustained improvements in the Group's underlying financial performance. The details of the various performance conditions relating to grants are set out in the table of Directors' interests in share options on page 33. Should the conditions not be met, options will lapse.

The Computacenter Employee Share Option Scheme 1998 is due to expire early next year. The Remuneration Committee considered the current reward structure and is intending to introduce a renewed executive share option scheme, subject to shareholder approval at the 2007 AGM. The PSP will remain the preferred annual long-term incentive scheme, but the Remuneration Committee wishes to retain the flexibility to grant employees options in appropriate circumstances, such as in countries where associated tax advantages apply.

It is intended that the performance conditions will be aligned to the recently approved PSP and will vest on a straight line basis. The performance conditions are based on EPS since the Remuneration Committee believes that there are insufficient comparable organisations to create a meaningful comparator group, for the purpose of assessing performance conditions based on total shareholder return.

The proposed option scheme constitutes a renewal of the previous scheme operated by the Company. The changes that have been made are designed to further align the scheme with ABI guidelines. The maximum number of options that can be awarded under the scheme will remain 3x base salary, although this can be exceeded in exceptional circumstances. Should grants be made to Executive Directors, a maximum of 1.25x base salary will remain the Company guideline.

Further grants of share options will be made in appropriate circumstances only, since the approved PSP will continue to be the main long-term incentive scheme for senior employees.

#### Pension

Executive Directors are entitled to participate in the Computacenter Pension Scheme, a defined contribution salary sacrifice scheme available to all employees under which a maximum annual Company contribution of £3,710 per employee is payable. The maximum Company contribution was reviewed during 2006. It was decided that this maximum contribution should be increased to £5,400 per employee from January 2007. The scheme also allows employees to make additional salary sacrifices, which the Company may contribute to the scheme on their behalf. The amounts of such additional salary sacrifices are shown as Company contributions in excess of the £3,710 limit in the table of Directors' remuneration on page 32. Mike Norris and Tony Conophy participate in the scheme.

#### Directors' contracts

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

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

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

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

#### Directors' Contracts

Director	Contract/letter of appointment start date	Expiry date	Unexpired term (months) as at 9 March 2007 <sup>1</sup>	Notice period (months)
<b>Executive:</b>				
Ron Sandler	15/03/2001	n/a <sup>2</sup>	see below <sup>2</sup>	12
Mike Norris	23/04/1998	n/a	none specified	12
Tony Conophy	23/04/1998	n/a	none specified	12
<b>Non-Executive:</b>				
Nick Cosh <sup>3</sup>	28/04/2005	n/a	n/a	n/a
Philip Hulme	05/05/2006	2009 AGM	26	3
Ian Lewis	15/06/2006	2009 AGM	26	3
Peter Ogden	05/05/2006	2009 AGM	26	3
John Ormerod	31/10/2006	2009 AGM	26	3
Cliff Freddy	28/04/2005	2008 AGM	14	12

<sup>1</sup> Calculated as at 9 March 2007 and assuming that future AGMs will be held in May each year and assumes re-election where required to retire at earlier AGMs in accordance with the Company's Articles of Association.

<sup>2</sup> Ron Sandler's service contract automatically terminates on his 65th birthday on 5 March 2017.

<sup>3</sup> Nick Cosh resigned from the Board on 28 June 2006.

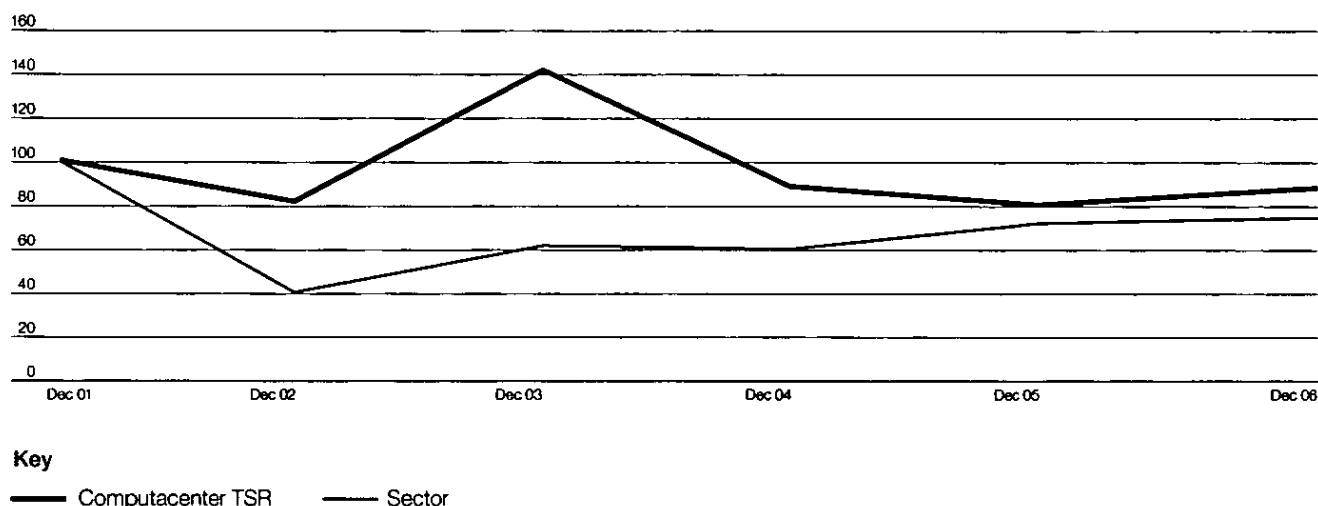
## Directors' remuneration report continued

### Performance graph

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

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

### Total Shareholder Return performance Computacenter versus FTSE Software and Computer Services sector



### Audited information

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

### Directors' remuneration

	Basic salary and fees £	Performance related bonuses £	Pension contributions £	Other <sup>1</sup> £	Total 2006 £	Total 2005 £
<b>Executive Directors</b>						
Ron Sandler	277,949	—	—	—	277,949	267,910
Mike Noms	459,925	144,900	3,703	—	608,528	548,425
Tony Conophy	301,086	97,875	3,709	—	402,670	394,227
<b>Non-Executive Directors</b>						
Nick Cosh	22,750 <sup>2</sup>	—	—	15,000	37,750	42,500
Philip Hulme	33,000	—	—	—	33,000	30,000
Ian Lewis	17,981	—	—	—	17,981	—
Ghislain Lescuyer	—	—	—	—	—	22,500
Peter Ogden	33,000	—	—	—	33,000	30,000
John Ormerod	7,758 <sup>2</sup>	—	—	—	7,758	—
Cliff Preddy	38,000 <sup>3</sup>	—	—	8,750	46,750	35,000
	1,191,449	242,775	7,412	23,750	1,465,386	1,370,562

<sup>1</sup> Nick Cosh and Cliff Preddy received additional payments during 2006 for the additional work undertaken with respect to the proposed management buy-out

<sup>2</sup> Prior to his resignation, Nick Cosh received an annual fee of £12,500 for his services as Chairman of the Audit Committee. Since his appointment John Ormerod receives an annual fee of £12,500 for his services as Chairman of the Audit Committee

<sup>3</sup> Cliff Preddy receives an annual fee of £5,000 for his services as Chairman of the Remuneration Committee

## Interests in share options and PSPs

Director	Scheme type	Exercise price (p)	Exercise dates	Note	At 1 January 2006	Granted during the year	Exercised during the year	Lapsed	At 31 December 2006
Ron Sandler	Options	333 50p	20/03/2004 – 19/03/2011	(1)	150,000	–	–	–	150,000
		333 50p	20/03/2005 – 19/03/2011	(1)	150,000	–	–	–	150,000
		333 50p	20/03/2006 – 19/03/2011	(1)	200,000	–	–	–	200,000
		322 00p	10/04/2005 – 09/04/2012	(6)	91,226	–	–	–	91,226
		266 50p	21/03/2006 – 20/03/2013	(8)	117,260	–	–	–	117,260
		266 50p	21/03/2007 – 20/03/2013	(8)	200,000	–	–	–	200,000
		424 00p	02/04/2007 – 01/04/2014	(9)	76,650	–	–	–	76,650
Total				985,136	–	–	–	985,136	
	PSP	–	01/04/2009	(10)	–	109,351	–	–	109,351
Total					–	109,351	–	–	109,351
Mike Norris	Options	160 00p	31/07/2000 – 30/07/2007	(2)	250,000	–	250,000	–	–
		333 50p	20/03/2004 – 19/03/2011	(1,4)	8,995	–	–	8,995	–
		333 50p	20/03/2004 – 19/03/2011	(5)	48,726	–	–	48,726	–
		322 00p	10/04/2005 – 09/04/2012	(6)	122,670	–	–	–	122,670
		266 50p	21/03/2006 – 20/03/2013	(8)	194,652	–	–	–	194,652
		395 00p	01/12/2008 – 31/05/2009	(3)	4,012	–	–	–	4,012
		424 00p	02/04/2007 – 01/04/2014	(9)	126,768	–	–	–	126,768
Total				755,823	–	250,000	57,721	448,102	
	PSP	–	01/04/2009	(10)	–	181,500	–	–	181,500
Total					–	181,500	–	–	181,500
Tony Conophy	Options	333 50p	20/03/2004 – 19/03/2011	(5)	35,982	–	–	35,982	–
		322 00p	10/04/2005 – 09/04/2012	(1,7)	9,316	–	–	–	9,316
		322 00p	10/04/2005 – 09/04/2012	(6)	66,770	–	–	–	66,770
		266 50p	21/03/2006 – 20/03/2013	(8)	121,951	–	–	–	121,951
		395 00p	01/12/2006 – 31/05/2007	(3)	2,335	–	–	–	2,335
		424 00p	02/04/2007 – 01/04/2014	(9)	79,599	–	–	–	79,599
Total				315,953	–	–	–	279,971	
	PSP	–	01/04/2009	(10)	–	117,861	–	–	117,861
Total					–	117,861	–	–	117,861

The Company's Non-Executive Directors are not permitted to participate in any of the Company's Employee Share Schemes and none of the Non-Executive Directors hold any outstanding share options over Computacenter ordinary shares

## Notes

- 1 Issued under the terms of the Computacenter Employee Share Option Scheme 1998
- 2 Issued under the terms of the Computacenter Services Group plc Unapproved Executive Share Option Scheme
- 3 Issued under the terms of the Computacenter ShareSave Plus Scheme, which is available to all employees and full time Executive Directors of the Computacenter Group
- 4 Exercisable on the condition that the average annual compound growth in the Computacenter Group's diluted earnings per share compared to the base year of 2000 is at least equal to the RPI plus 5% in any of the three four or five year periods up to and including 2003 2004 and 2005 respectively
- 5 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average compound growth in the Computacenter Group's diluted earnings per share compared to the base year of 2000 is at least equal to the RPI plus 5% in any of the three four or five year periods up to and including 2003 2004 or 2005 respectively
- 6 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Company's earnings per share (on a post-investment in the Biomni joint venture diluted basis) compared to the base year of 2001 is at least equal to the RPI plus 5% in any of the three four or five year periods up to and including 2004 2005 or 2006 respectively
- 7 Exercisable on the condition that the average annual compound growth in the Company's earnings per share (on a post-investment in the Biomni joint venture diluted basis) compared to the base year of 2001 is at least equal to the RPI plus 5% in any of the three four or five year periods up to and including 2004 2005 or 2006 respectively
- 8 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Company's earnings per share (on a post-investment in the Biomni joint venture diluted basis) compared to the base year of 2002 is at least equal to the RPI plus 5% in any of the three four or five year periods up to and including 2005 2006 or 2007 respectively
- 9 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Company's earnings per share (on a post-investment in the Biomni joint venture diluted basis) compared to the base year of 2003 is at least equal to the RPI plus 5% in any of the three four or five year periods up to and including 2006 2007 or 2008 respectively
- 10 Issued under the terms of the Computacenter Performance Share Plan 2005. One quarter of the shares will vest if the average annual compound growth in the Group's earnings per share is at least equal to RPI plus 3% over the three consecutive financial years starting on 1 January 2006 and ending on 31 December 2008 compared to the base year of 2005. Awards will vest in full if the Group's cumulative annual growth is at or above RPI plus 7.5%. If the Group's earnings per share growth over the period is between 3% and 7.5% above RPI, awards will vest on a straight line basis.

Gains made on the exercise of options during the year by Directors were

Director	Date of exercise	Last Date of exercise	No. of shares	Exercise price (p)	Total exercise monies (£)	Market value at exercise (p)	Gain on exercise
Mike Norris	05/05/2006	30/07/2007	250,000	160 00	400,000	264 00	260,000

The market price of the ordinary shares at 29 December 2006 was 268 50p. The highest price during the year was 292 50p and the lowest was 215 00p

*Stephen Benadé*  
 SJ Benadé  
 Secretary  
 12 March 2007

## Directors' report

The Directors present their report and the audited accounts of the Group for the year ended 31 December 2006

### Principal activities

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

### Business Review

A description of the Group's activities and certain key performance indicators are contained within pages 2 to 5. The development of the Group's business, together with an indication of future developments, are included in the Chairman's Statement on pages 6 to 7, the Chief Executive's Review on pages 8 to 13 and the Finance Director's Review on pages 20 to 23. Details of some of the principal risks that the Group currently faces are detailed on page 14.

### Results and dividends

The Group's activities resulted in a pre-exceptional profit before tax of £38.0 million (2005: £35.7 million). The Group profit for the year available to shareholders amounted to £18.9 million (2005: £20.4 million).

The Directors recommend a final dividend for the year of £7.9 million (2005: £9.4 million). Dividends are recognised in the accounts in the

year in which they are paid, or in the case of a final dividend, when approved by the shareholders. As such, the amount recognised in the 2006 accounts, as described in note 10, is made up of last year's final dividend and the interim dividend of this year.

The final ordinary dividend for 2006 if approved, will be paid on 31 May 2007 to those shareholders on the register as at 4 May 2007. The Company paid an interim dividend of £3.9 million on 20 October 2006.

### Directors

The Directors who served during the year ended 31 December 2006 are detailed below. Brief biographical details of the Directors at the date of this report are given on pages 24 to 25.

Mike Norris and Cliff Preddy will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election. Philip Hulme and Peter Ogden, having served as Directors for more than nine years, will retire and offer themselves for re-election at the Annual General Meeting. Ian Lewis and John Ormerod, having been appointed since the last Annual General Meeting, will also retire and offer themselves for election.

### Directors' indemnities

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

### Directors' interests in shares

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

	At 31 December 2006		At 1 January 2006 or as at date of appointment	
	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial
<b>Executive Directors</b>				
Ron Sandler	62,500*	–	75,000	–
Mike Norris	1,059,386*	–	1,271,265	–
Tony Conophy	1,468,962*	–	1,762,758	–
<b>Non-Executive Directors</b>				
Nick Cosh <sup>1</sup>	–	–	5,000	–
Philip Hulme	20,814,412*	8,143,921*	24,977,295	9,772,707
Ian Lewis <sup>2</sup>	5,000	–	–	–
Peter Ogden	35,335,636*	979,166*	42,402,764	1,175,000
John Ormerod <sup>3</sup>	5,000	–	–	–
Cliff Preddy	4,166*	–	5,000	–

\* The decreased shareholding shown from 1 January 2006, is a result of the share capital consolidation that was undertaken on 3 July 2006.

<sup>1</sup> Nick Cosh resigned from the Board on 28 June 2006.

<sup>2</sup> Ian Lewis was appointed to the Board on 15 June 2006.

<sup>3</sup> John Ormerod was appointed to the Board on 31 October 2006.

As at 9 March 2007 there have been no changes in the interests of the Directors in the shares of Computacenter since 31 December 2006.

### Major interests in shares

With the exception of the Directors' interests set out above, as at 9 March 2007, no persons have notified the Company that they hold a substantial interest (in excess of 3% as defined in the Companies Act 1985) in the existing issued ordinary share capital of the Company.

### Authority to purchase own shares

At the 2006 Annual General Meeting and the 2006 Extraordinary General Meeting a resolution was passed giving the Company authority to purchase up to 10% of its ordinary shares by market purchase. No such purchases were made during the year.

A resolution to renew the authority is to be put to the 2007 Annual General Meeting.

### Creditors payment policy

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

### Financial instruments

The Group's financial risk management objectives and policies are discussed in the Finance Director's Review on pages 20 to 23 and in note 23 to the accounts

### Employee share schemes

The Company operates executive share option schemes and a performance-related option scheme for the benefit of employees. During the year, 2,819,600 options over ordinary shares of 6p were granted under the executive share option schemes (2005 nil). At the year end options remained outstanding under these schemes in respect of a total of 7,272,724 ordinary shares of 6p each (2005 7,881,153 ordinary shares). During the year, options over 629,200 shares were exercised and options over 2,798,829 shares lapsed.

The Company also operates a Performance Share Plan ('PSP') to incentivise employees. During the year 1,571,604 ordinary shares of 6p were awarded under the PSP (2005 nil). At the year end 1,553,938 shares remained outstanding, under this scheme and 37,666 awards had lapsed.

In addition, the Company continues to operate a Sharesave scheme for the benefit of employees. At the year end, 2,569,669 (2005 3,309,941) options granted under the Sharesave scheme remained outstanding.

During the year, the Company has remained within its headroom limits for the issue of new shares for employee share plans as required in the rules of the plans, specifically the 5% in 10 years limit for discretionary plans and the 10% in 10 years for all share plans.

### Corporate social responsibility

The Board recognises that acting in a socially responsible way benefits the community, our customers, shareholders, the environment and employees alike. A wide variety of initiatives and measures are underway to ensure the Group continues to develop in a socially responsible way.

### Health, safety and environment

It remains the policy of the Group that each business maintains the high standards necessary to safeguard the health and safety of its employees, customers, contractors and the public. This commitment is formally contained in the Health and Safety Policy Statement, which is available from the Company's website at [www.computacenter.com/corporate-responsibility](http://www.computacenter.com/corporate-responsibility) or upon request. The Group's Health, Safety and Environment (HSE) Department monitors and reviews all procedures and policies, utilising the advice of external consultants, where necessary, in order to ensure the management systems comply with current legal requirements. The health, safety and environment management systems are registered with UVDB and Verity with annual audits conducted to ensure conformance. The environment management system (EMS) additionally remains ISO 14001 2004 certified with the BSI conducting bi-annual audits at all key locations.

Computacenter enhanced its commitment to the environment by launching a 'Green IT Advisory Service' in January 2007. This service provides various innovative offerings including an energy efficiency audit of a company's current IT environment, configuration services to achieve minimum energy consumption and advice on the environmental lifecycle implications of a typical desktop system. In addition, under this service Computacenter will offer 'carbon neutral' delivery, and offer services from its IT re-marketing and disposal subsidiary company RDC. Both Computacenter and RDC have committed to offset carbon emissions generated by their operations for any PC purchased through the Green IT Advisory Service.

### Employee involvement

Computacenter remains committed to involving all employees in matters which affect their work and working environment, primarily through team briefings where managers are tasked with ensuring that information sharing, discussion and feedback happen on a regular basis as part of their core responsibilities as leaders. Employee Consultative Forums exist in each country to consult staff on major issues affecting employment and matters of policy. Should there be trans-national issues to discuss, a facility exists to engage a European Forum made up of representatives from country Forums.

Employee opinion surveys are conducted every two to three years in the UK, Germany and France by external research companies, to seek employees' views on a wide range of subjects. Programmes of work resulting from the feedback are agreed at country level and executed locally involving both management and employees. The HR Director is responsible for ensuring actions are completed and properly communicated across the business.

### Equal opportunities

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

### Performance and personal development

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

Each year, approximately 2.5% of the Group's salary expense is spent on technical training and skills development. Computacenter's reward strategy is reviewed regularly and continues to emphasise performance-related pay, particularly for more senior managers, with bonus payments aligned to financial performance.

In 2005, the UK business was awarded Investors in People status.

## Directors' report continued

### Workplace

International human rights obligations and international employment laws are met through a broad range of policies across the Group. These ensure that, for example, employees are not subject to discrimination, arbitrary or unjust dismissal or unjust application of wage rates. Appropriate employee benefit programmes exist across the Group.

### Business ethics

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

### Community relations and charity activities

The Group supports community and charitable projects as part of its commitment to corporate social responsibility and encourages its employees to support such projects. It also organises and supports ad-hoc charitable fundraising events. In addition, the donation of IT equipment to schools and other charitable causes is a feature of the Group's recycling programmes. In 2006 the Group made charitable donations amounting to £61,000.

### Going concern

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

### Statement of Directors' responsibilities in relation to the financial statements

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

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

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

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

### Directors' statement as to disclosure of information to auditors

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s 234ZA of the Companies Act 1985.

### Auditors

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

By order of the Board



SJ Benadé

Secretary

12 March 2007

## Independent auditors' report to the shareholders of Computacenter plc

We have audited the Group financial statements of Computacenter plc for the year ended 31 December 2006 which comprise Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 29. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Computacenter plc for the year ended 31 December 2006 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

### Respective responsibilities of Directors and auditors

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

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

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

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

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

### Basis of audit opinion

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

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

### Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the Directors' report is consistent with the Group financial statements.

### Ernst & Young LLP

Registered auditor  
Luton  
12 March 2007

**Consolidated income statement**

For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Revenue</b>	3	<b>2,269,903</b>	2,285,209
Cost of sales		<b>(1,974,437)</b>	(1,996,381)
<b>Gross profit</b>		<b>295,466</b>	288,828
Distribution costs		<b>(19,075)</b>	(19,928)
Administrative expenses		<b>(241,408)</b>	(239,959)
<b>Operating profit:</b>	4		
<b>Before share based payments and exceptional items</b>		<b>34,983</b>	28,941
Share based payments		<b>(1,411)</b>	392
<b>Operating profit before exceptional items</b>		<b>33,572</b>	29,333
Impairment of non-current assets	5	<b>(2,606)</b>	-
Redundancy costs	5	<b>(2,425)</b>	(1,675)
<b>Operating profit</b>		<b>28,541</b>	27,658
Finance revenue	7	<b>6,677</b>	8,127
Finance costs	8	<b>(2,289)</b>	(2,002)
Share of profit of associate	15	-	229
<b>Profit before tax:</b>			
<b>Before exceptional items</b>		<b>37,960</b>	35,687
Impairment on non-current assets	5	<b>(2,606)</b>	-
Redundancy costs	5	<b>(2,425)</b>	(1,675)
<b>Profit before tax</b>		<b>32,929</b>	34,012
Income tax expense	9	<b>(13,994)</b>	(13,579)
<b>Profit for the year</b>		<b>18,935</b>	20,433
Attributable to			
Equity holders of the parent	10	<b>18,927</b>	20,406
Minority interests		<b>8</b>	27
		<b>18,935</b>	20,433
Earnings per share	10		
- basic for profit for the year		<b>11.0p</b>	10.9p
- basic for profit before exceptional items		<b>13.9p</b>	11.8p
- diluted for profit for the year		<b>10.9p</b>	10.9p
- diluted for profit before exceptional items		<b>13.8p</b>	11.8p

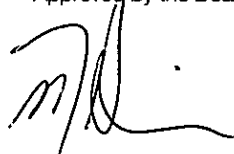


**Consolidated balance sheet**

As at 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	84,874	81,601
Intangible assets	13	9,945	9,493
Investment accounted for using the equity method	15	–	288
Deferred income tax asset	9	6,166	5,528
		<b>100,985</b>	<b>96,910</b>
<b>Current assets</b>			
Inventories	16	94,586	100,233
Trade and other receivables	17	427,319	382,970
Prepayments		50,435	63,476
Forward currency contracts		111	191
Cash and short-term deposits	18	77,882	164,797
		<b>650,333</b>	<b>711,667</b>
<b>Total assets</b>		<b>751,318</b>	<b>808,577</b>
<b>Current liabilities</b>			
Trade and other payables	19	315,846	315,997
Deferred income		77,714	73,827
Financial liabilities	20	55,736	64,131
Income tax payable		8,394	5,712
Provisions	22	2,132	2,190
		<b>459,822</b>	<b>461,857</b>
<b>Non-current liabilities</b>			
Financial liabilities	20	11,362	275
Provisions	22	12,839	14,007
Other non-current liabilities		917	371
Deferred income tax liabilities	9	1,249	1,393
		<b>26,367</b>	<b>16,046</b>
<b>Total liabilities</b>		<b>486,189</b>	<b>477,903</b>
<b>Net assets</b>		<b>265,129</b>	<b>330,674</b>
<b>Capital and reserves</b>			
Issued capital	24	9,571	9,505
Share premium	24	2,247	74,680
Capital redemption reserve	24	74,542	100
Own shares held	24	(2,503)	(2,503)
Other reserves	24	(2,455)	(1,757)
Retained earnings		183,700	250,630
<b>Shareholders' equity</b>		<b>265,102</b>	<b>330,655</b>
Minority interest		27	19
<b>Total equity</b>		<b>265,129</b>	<b>330,674</b>

Approved by the Board on 12 March 2007


**MJ Norris**  
Chief Executive

**FA Conophy**  
Finance Director

**Consolidated statement of changes in equity**

For the year ended 31 December 2006

	Attributable to equity holders of the parent								
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
<b>At 31 December 2004</b>	<b>9,489</b>	<b>73,920</b>	<b>100</b>	<b>(2,503)</b>	<b>(911)</b>	<b>245,113</b>	<b>325,208</b>	<b>46</b>	<b>325,254</b>
Adoption of IAS 32 & IAS 39	-	-	-	-	-	(148)	(148)	-	(148)
<b>At 1 January 2005</b>	<b>9,489</b>	<b>73,920</b>	<b>100</b>	<b>(2,503)</b>	<b>(911)</b>	<b>244,965</b>	<b>325,060</b>	<b>46</b>	<b>325,106</b>
Exchange differences on retranslation of foreign operations	-	-	-	-	(846)	-	(846)	-	(846)
Net income/(expenses) recognised directly in equity	-	-	-	-	(846)	-	(846)	-	(846)
Profit for the period	-	-	-	-	-	20,406	20,406	(27)	20,379
Total recognised income and expenses for the year	-	-	-	-	(846)	20,406	19,560	(27)	19,533
Cost of share-based payments	-	-	-	-	-	(366)	(366)	-	(366)
Exercise of options	16	760	-	-	-	-	776	-	776
Equity dividends	-	-	-	-	-	(14,375)	(14,375)	-	(14,375)
	16	760	-	-	(846)	5,665	5,595	(27)	5,568
<b>At 31 December 2005</b>	<b>9,505</b>	<b>74,680</b>	<b>100</b>	<b>(2,503)</b>	<b>(1,757)</b>	<b>250,630</b>	<b>330,655</b>	<b>19</b>	<b>330,674</b>
<b>At 1 January 2006</b>	<b>9,505</b>	<b>74,680</b>	<b>100</b>	<b>(2,503)</b>	<b>(1,757)</b>	<b>250,630</b>	<b>330,655</b>	<b>19</b>	<b>330,674</b>
Exchange differences on retranslation of foreign operations	-	-	-	-	(698)	-	(698)	-	(698)
Net income/(expenses) recognised directly in equity	-	-	-	-	(698)	-	(698)	-	(698)
Profit for the period	-	-	-	-	-	18,927	18,927	8	18,935
Total recognised income and expenses for the year	-	-	-	-	(698)	18,297	18,229	8	18,237
Cost of share-based payment	-	-	-	-	-	1,411	1,411	-	1,411
Exercise of options	66	2,317	-	-	-	-	2,383	-	2,383
Bonus issue	74,442	(74,442)	-	-	-	-	-	-	-
Expenses on bonus issue	-	(308)	-	-	-	-	(308)	-	(308)
Share redemption	(74,442)	-	74,442	-	-	(73,886)	(73,886)	-	(73,886)
Expenses on share redemption	-	-	-	-	-	(56)	(56)	-	(56)
Equity dividends	-	-	-	-	-	(13,326)	(13,326)	-	(13,326)
	66	(72,433)	74,442	-	(698)	(66,930)	(65,553)	8	(65,545)
<b>At 31 December 2006</b>	<b>9,571</b>	<b>2,247</b>	<b>74,542</b>	<b>(2,503)</b>	<b>(2,455)</b>	<b>183,700</b>	<b>265,102</b>	<b>27</b>	<b>265,129</b>

**Consolidated cash flow statement**

For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Operating activities</b>			
Operating profit		28,541	27,658
<i>Adjustments to reconcile Group operating profit to net cash inflows from operating activities</i>			
Depreciation		14,585	15,535
Amortisation		1,907	1,784
Share-based payment		1,411	(366)
Impairment of property, plant and equipment		2,492	-
Loss/(profit) on disposal of property, plant and equipment		353	(85)
Impairment of intangible assets		114	-
Loss on disposal of intangible assets		9	-
Dividend received from associate		202	303
Decrease in inventories		4,560	16,824
Increase in trade and other receivables		(35,498)	(25,904)
Increase in trade and other payables		6,895	29,925
Currency and other adjustments		5	287
Cash generated from operations		25,576	65,961
Income taxes paid		(11,994)	(18,366)
<b>Net cash flow from operating activities</b>		<b>13,582</b>	<b>47,595</b>
<b>Investing activities</b>			
Interest received		6,600	9,086
Sale of subsidiary net of cash disposed of		-	(252)
Sale of property, plant and equipment		24	205
Purchase of property, plant and equipment		(7,504)	(6,950)
Purchases of intangible assets		(2,499)	(3,385)
Sale of interest in associate		364	-
Funds received from settlement of net asset claim on previously acquired subsidiary		-	26,918
<b>Net cash flow from investing activities</b>		<b>(3,015)</b>	<b>25,622</b>
<b>Financing activities</b>			
Interest paid		(2,152)	(2,063)
Dividends paid to equity shareholders of the parent		(13,326)	(14,418)
Proceeds from share issues		2,383	776
Repayment of capital element of finance leases		(2,629)	(321)
Repayment of loans		(326)	-
Repayment of other loans		(5,201)	-
New borrowings		12,447	-
Return of capital		(74,442)	-
Expenses on return of capital		(365)	-
Decrease in factor financing		(1,377)	(6,401)
<b>Net cash flow from financing activities</b>		<b>(84,988)</b>	<b>(22,427)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>		<b>(74,421)</b>	<b>50,790</b>
Effect of exchange rates on cash and cash equivalents		492	1,576
Cash and cash equivalents at the beginning of the year	18	132,911	80,545
<b>Cash and cash equivalents at the year end</b>	18	<b>58,982</b>	<b>132,911</b>

**Analysis of changes in net funds**

	At 1 January 2006 £'000	Cash flows in year £'000	Non- cash flow £'000	Exchange differences £'000	At 31 December 2006 £'000
Cash and cash equivalents	132,911	(74,421)	-	492	58,982
Factor financing	(31,542)	1,377	-	616	(29,549)
Bank loan	(326)	326	-	-	-
<b>Net funds prior to customer-specific loans and finance leases</b>	<b>101,043</b>	<b>(72,718)</b>	<b>-</b>	<b>1,108</b>	<b>29,433</b>
Finance leases	(652)	2,629	(13,380)	-	(11,403)
Other loans	-	5,201	(12,447)	-	(7,246)
<b>Net funds</b>	<b>100,391</b>	<b>(64,888)</b>	<b>(25,827)</b>	<b>1,108</b>	<b>10,784</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2006

### 1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Computacenter plc for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Directors on 12 March 2007. The balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2006 and applied in accordance with the Companies Act 1985.

### 2 Summary of significant accounting policies

#### Basis of preparation

The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

#### Basis of consolidation

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

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

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and are presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity.

#### Property, plant and equipment

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

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

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

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

#### Leases

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

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

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

#### Intangible assets

##### Software and software licences

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

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

##### Other intangible assets

Intangible assets acquired separately from a business are carried initially at cost. Following initial recognition, the historic cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in administrative expenses.

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

#### Goodwill

Business combinations on or after 1 January 2004 are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised on acquisitions prior to 1 January 2004, the date of transition to IFRS, is recorded at its amortised cost at transition to IFRS and is no longer amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

## 2 Summary of significant accounting policies continued

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

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it. Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of.

### Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

### Investment in an associate

The Group's interest in its associate was accounted for using the equity method of accounting. The associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of the associate were used by the Group to apply the equity method. The reporting dates of the associate and the Group were identical. As is the case with the Group's subsidiaries, the associate prepared its accounts under local GAAP. These were then converted into IFRS during the consolidation process of the Group.

The investment in the associate was carried in the Group's balance sheet at cost plus its share of the post-acquisition changes in the net assets of the associate, less distributions received and less any impairment in value. The Group's income statement reflected its share of the results, after tax, of operations of the associate. Where there was a change recognised directly in the associate's equity, the Group recognised its share of any changes and discloses this in its Statement of Changes in Equity.

### Financial assets

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

### Inventories

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

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

### Trade and other receivables

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

### Cash and cash equivalents

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

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

### Interest-bearing borrowings

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

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

### De-recognition of financial assets and liabilities

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where

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

#### Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

## Notes to the consolidated financial statements continued

### 2 Summary of significant accounting policies continued

#### Derivative financial instruments

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. From 1 January 2005 the forward contracts are initially recognised at fair value on the date that the contract is entered into and are subsequently re-measured at fair value at each reporting date. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Forward contracts are recorded as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or
- cash flow hedges when hedging 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.

Any gains or losses arising from changes in fair value on forward contracts that do not qualify for hedge accounting are taken directly to the income statement.

#### Foreign currency translation

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

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

The functional currencies of the overseas subsidiaries are Euro (€) and US Dollar (US\$). As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. Since 1 January 2004, the date of transition to IFRS, exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

#### Provisions

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

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

#### Taxation

##### Current tax

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

##### Deferred tax

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

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

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

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

#### VAT

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

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

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

## 2 Summary of significant accounting policies continued

### Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates given to customers, VAT and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognised

#### Product

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

#### Professional services

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

#### Support and Managed Services

Contracted Managed Services revenue is recognised over the contract period on a straight-line basis, which represents the level of completion of an individual contract. The unrecognised contracted revenue is included as deferred income in the balance sheet. Amounts invoiced relating to more than one period are deferred and recognised over their relevant life

#### Finance revenue

Revenue is recognised as interest accrues

#### Dividends

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

#### Rental income

Rental income arising from operating leases is accounted for either on a straight-line basis over the lease term, or where the service is not provided on a straight-line basis revenue is recognised in line with the time pattern of the provision of the service

### Pensions and other post-employment benefits

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

### Employee benefits

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

### Exceptional items

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

### Share-based payment transactions

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 10)

The Group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity (see note 24)

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

### Own shares held

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

## Notes to the consolidated financial statements continued

### 2 Summary of significant accounting policies continued

#### New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements

International Accounting Standards (IAS/IFRSs)	Effective date
IFRS 7 Financial Instruments Disclosures	1 January 2007
IFRS 8 Operating Segments	1 January 2009
IAS 1 Amendment – Presentation of Financial Statements Capital Disclosures	1 January 2007
International Financial Reporting Interpretations Committee (IFRIC)	Effective date
IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10 Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11 IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12 Service Concession Arrangements	1 January 2008

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

### 3 Segmental analysis

The Group's primary reporting format is geographical segments and its secondary format is business segments. The Group's geographical segments are determined by the location of the Group's assets and operations. The Group's business in each geography is managed separately and held in separate statutory entities.

Each geographical business contains the following three business segments

- the Product segment supplies computer hardware and software to large and medium corporate and government customers and to other distributors. It includes the resale of 3rd party services for which the Group retains no risks or rewards post sale, and
- the Professional Services segment provides technical and project management skills to enable customers in the corporate and government sectors to implement and integrate new technologies into their infrastructures, and
- the Support and Managed Services segment provides an outsourcing service for specific areas of infrastructure management to customers in the corporate and government sectors.

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

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

#### Geographical segments

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 December 2006 and 2005.



## 3 Segmental analysis continued

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
<b>Year ended 31 December 2006</b>					
<b>Revenue</b>					
Sales to external customers	1,281,498	654,671	307,264	26,470	<b>2,269,903</b>
Inter-segment sales	8,601	11,734	764	3,336	<b>24,435</b>
Segment revenue	1,290,099	666,405	308,028	29,806	<b>2,294,338</b>
<b>Result</b>					
Gross profit	181,900	83,405	27,711	2,450	<b>295,466</b>
Distribution costs	(11,765)	(3,646)	(3,521)	(143)	<b>(19,075)</b>
Administrative expenses	(132,665)	(76,971)	(30,685)	(2,498)	<b>(242,819)</b>
<b>Operating profit pre-exceptionals</b>	<b>37,470</b>	<b>2,788</b>	<b>(6,495)</b>	<b>(191)</b>	<b>33,572</b>
Exceptional items	–	–	(5,031)	–	<b>(5,031)</b>
<b>Operating profit</b>	<b>37,470</b>	<b>2,788</b>	<b>(11,526)</b>	<b>(191)</b>	<b>28,541</b>
Net finance income	6,834	(882)	(1,475)	(89)	<b>4,388</b>
<b>Profit before tax</b>	<b>44,304</b>	<b>1,906</b>	<b>(13,001)</b>	<b>(280)</b>	<b>32,929</b>
Income tax expense					<b>(13,994)</b>
<b>Profit for the year</b>					<b>18,935</b>
<b>Assets and liabilities</b>					
Total segment assets	506,177	166,611	76,342	2,188	<b>751,318</b>
Total segment liabilities	223,296	145,382	112,679	4,832	<b>486,189</b>
<b>Other segment information</b>					
Capital expenditure					
Property, plant and equipment	10,387	9,557	852	89	<b>20,885</b>
Intangible assets	1,922	495	82	–	<b>2,499</b>
Depreciation	11,262	2,283	936	104	<b>14,585</b>
Amortisation	1,551	293	63	–	<b>1,907</b>
Share-based payments	1,173	202	28	8	<b>1,411</b>

## Notes to the consolidated financial statements continued

## 3 Segmental analysis continued

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
<b>Year ended 31 December 2005</b>					
<b>Revenue</b>					
Sales to external customers	1,351,307	618,238	295,784	19,880	<b>2,285,209</b>
Inter-segment sales	8,401	24,604	293	3,539	<b>36,837</b>
Segment revenue	1,359,708	642,842	296,077	23,419	<b>2,322,046</b>
<b>Result</b>					
Gross profit	169,876	87,709	28,941	2,302	<b>288,828</b>
Distribution costs	(11,315)	(5,160)	(3,360)	(93)	<b>(19,928)</b>
Administrative expenses	(126,482)	(77,548)	(33,219)	(2,318)	<b>(239,567)</b>
Operating profit pre-exceptionals	32,079	5,001	(7,638)	(109)	<b>29,333</b>
Exceptional items	–	–	(1,675)	–	<b>(1,675)</b>
Operating profit	32,079	5,001	(9,313)	(109)	<b>27,658</b>
Net finance income	8,055	(553)	(1,347)	(30)	<b>6,125</b>
Share of associate's profit	–	229	–	–	<b>229</b>
Profit before tax	40,134	4,677	(10,660)	(139)	<b>34,012</b>
Income tax expense	–	–	–	–	<b>(13,579)</b>
Profit for the year	–	–	–	–	<b>20,433</b>
<b>Assets and liabilities</b>					
Segment assets	569,043	136,784	100,880	1,582	<b>808,289</b>
Investment in an associate	–	288	–	–	<b>288</b>
Total assets	569,043	137,072	100,880	1,582	<b>808,577</b>
Segment liabilities	233,129	116,895	123,952	3,927	<b>477,903</b>
Total liabilities	233,129	116,895	123,952	3,927	<b>477,903</b>
<b>Other segment information</b>					
Capital expenditure					
Property, plant and equipment	6,138	1,020	555	124	<b>7,837</b>
Intangible assets	3,083	284	18	–	<b>3,385</b>
Depreciation	11,570	2,981	882	102	<b>15,535</b>
Amortisation	1,093	295	358	38	<b>1,784</b>
Share-based payments	(559)	138	21	8	<b>(392)</b>

### 3 Segmental analysis continued

#### Business segments

The following tables present revenue information regarding the Group's business segments for the years ended 31 December 2006 and 2005

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

	Product £'000	Professional Services £'000	Support and Managed Services £'000	Total £'000
<b>Year ended 31 December 2005 (Restated)</b>				
<b>Revenue</b>				
Sales to external customers	1,770,410	114,236	400,563	<b>2,285,209</b>
Inter-segment sales	23,694	3,775	9,368	<b>36,837</b>
Segment revenue	1,794,104	118,011	409,931	<b>2,322,046</b>

For the year ended 31 December 2005 an amount of £12,443,000 has been reclassified from Support and Managed Services to Product. This amount is in respect of 3rd party resold services in Germany for which the Group retains no risks or rewards. Historically these amounts could not be separately identified.

It is not possible to split out assets, liabilities and capital expenditure information by business segments. Assets and liabilities within geographical segments are not allocated to business segments.

### 4 Group operating profit

This is stated after charging/(crediting)

	2006 £'000	2005 £'000
Auditors' remuneration – audit services – UK	177	202
– audit services – overseas	235	223
– taxation services	115	99
– other services	19	6
Depreciation of property, plant and equipment	14,585	15,535
Loss/(profit) on disposal of property, plant and equipment	353	(85)
Impairment of property, plant and equipment	2,492	–
Amortisation of intangible assets	1,907	1,784
Impairment of intangible assets	114	–
Total depreciation and amortisation expense	19,451	17,234
Net foreign currency differences	115	(4)
Costs of inventories recognised as an expense	1,517,031	1,586,964
Operating lease payments – minimum lease payments	19,036	21,579
– sub-lease payments	(723)	(369)
Total lease and sub-lease payments recognised as an expense	18,313	21,210

## Notes to the consolidated financial statements continued

## 5 Exceptional items

	2006 £'000	2005 £'000
Impairment of property, plant and equipment	2,492	–
Impairment of intangible assets	114	–
Redundancy costs	2,425	1,675
	<b>5,031</b>	<b>1,675</b>

Forecast cash flows for Computacenter France no longer support the value of the non-current assets in the business, and accordingly a full impairment to these assets has been recognised at 31 December 2006

Restructuring costs of £2,425,000 (2005 £1,675,000) were incurred during the year ended 31 December 2006. These principally relate to headcount reductions required to restructure the indirect cost base. The 2005 comparatives have been restated to classify these costs as exceptional items accordingly.

## 6 Staff costs and Directors' emoluments

	2006 £'000	2005 £'000
Wages and salaries	343,669	339,852
Social security costs	51,189	50,711
Pension costs	12,899	13,152
	<b>407,757</b>	<b>403,715</b>

Included in wages and salaries is a total charge for share based payments of £1,411,000 (2005 £392,000 credit), all of which arises from transactions accounted for as equity-settled share-based payment transactions.

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

	2006 No	2005 No
UK	4,667	4,825
Germany	3,605	3,517
France	1,010	1,059
Benelux	116	104
	<b>9,398</b>	<b>9,505</b>

## 7 Finance revenue

	2006 £'000	2005 £'000
Bank interest receivable	6,639	7,990
Income from investments	38	137
	<b>6,677</b>	<b>8,127</b>

## 8 Finance costs

	2006 £'000	2005 £'000
Bank loans and overdrafts	1,886	1,702
Other loans	403	300
	<b>2,289</b>	<b>2,002</b>

## 9 Income tax

### a) Tax on profit on ordinary activities

	2006 £'000	2005 £'000
<b>Tax charged in the income statement</b>		
<i>Current income tax</i>		
UK corporation tax	14,421	12,872
Foreign tax	212	31
Adjustments in respect of current income tax of previous years	76	(202)
Consortium relief	59	(119)
<b>Total current income tax</b>	<b>14,768</b>	<b>12,582</b>
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	(499)	997
Prior year adjustments	(275)	-
<b>Total deferred tax</b>	<b>(774)</b>	<b>997</b>
<b>Tax charge in the income statement</b>	<b>13,994</b>	<b>13,579</b>
<i>Tax relating to items charged or credited to equity</i>		
<i>Deferred tax</i>		
Relief on share option gains	-	16
<b>Tax charge in the statement of changes in equity</b>	<b>-</b>	<b>16</b>

### b) Reconciliation of the total tax charge

	2006 £'000	2005 £'000
Accounting profit before income tax	32,929	34,012
At the UK standard rate of corporation tax of 30% (2005 30%)	9,879	10,204
Expenses not deductible for tax purposes	1,147	673
Relief on share option gains	(218)	-
Adjustments in respect of current income tax of previous years	(214)	(202)
Higher tax on overseas earnings	49	1
Accounting depreciation in excess of tax depreciation	21	518
Other timing differences	(616)	(761)
Consortium relief	59	(119)
Profit of overseas undertakings not taxable due to brought forward loss offset	(154)	(4)
Losses of overseas undertakings not available for relief	4,041	3,269
<b>At effective income tax rate of 42.6% (2005 39.9%)</b>	<b>13,994</b>	<b>13,579</b>

### c) Unrecognised tax losses

The Group has tax losses arising from the results of overseas subsidiaries of £13,279,000 (2005 £10,813,000). Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss making for some time.

## Notes to the consolidated financial statements continued

## 9 Income tax continued

## d) Deferred tax

Deferred income tax at 31 December relates to the following

	Consolidated balance sheet		Consolidated income statement	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<i>Deferred income tax liabilities</i>				
Accelerated capital allowances	1,198	1,339	(141)	(116)
Revaluations of foreign exchange contracts to fair value	51	54	51	54
Gross deferred income tax liabilities	1,249	1,393		
<i>Deferred income tax assets</i>				
Relief on share option gains	178	-	(178)	78
Timing differences	460	-	(506)	-
Losses available for offset against future taxable income	5,528	5,528	-	981
Gross deferred income tax assets	6,166	5,528		
Deferred income tax charge			(774)	997
Net deferred income tax asset	4,917	4,135		

At 31 December 2006, there was no recognised or unrecognised deferred income tax liability (2005 £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief

## 10 Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effect of dilutive options

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations

	2006 £'000	2005 £'000
Profit attributable to equity holders of the parent	18,927	20,406
Exceptional items attributable to equity holders of the parent	5,031	1,675
Profit before exceptional items attributable to equity holders of the parent	23,958	22,081

	2006 000's	2005 000's
Basic weighted average number of shares (excluding own shares held)	172,312	187,210
Effect of dilution		
Share options	1,232	658
Diluted weighted average number of shares	173,544	187,868

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements

## 11 Dividends paid and proposed

	2006 £'000	2005 £'000
<i>Declared and paid during the year</i>		
Equity dividends on ordinary shares		
Final dividend for 2005 5.0p (2004 5.2p)	9,405	9,735
Interim for 2006 2.5p (2005 2.5p)	3,921	4,590
	13,326	14,325

*Proposed for approval at AGM (not recognised as a liability as at 31 December)*

Equity dividends on ordinary shares		
Final dividend for 2006 5.0p (2005 5.0p)	7,856	9,400

## 12 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2005	66,568	14,372	81,598	162,538
Additions	–	1,211	6,626	7,837
Disposals	(265)	(1,013)	(11,534)	(12,812)
Foreign currency adjustment	–	(553)	(1,052)	(1,605)
At 31 December 2005	66,303	14,017	75,638	155,958
Additions	839	971	19,075	20,885
Disposals	–	(5,579)	(13,790)	(19,369)
Foreign currency adjustment	–	(362)	(637)	(999)
At 31 December 2006	67,142	9,047	80,286	156,475
<b>Depreciation and impairment</b>				
At 1 January 2005	12,838	5,491	54,295	72,624
Provided during the year	2,977	2,332	10,226	15,535
Disposals	(266)	(967)	(11,373)	(12,606)
Foreign currency adjustment	–	(338)	(858)	(1,196)
At 31 December 2005	15,549	6,518	52,290	74,357
Provided during the year	2,706	1,947	9,932	14,585
Disposals	–	(5,430)	(13,562)	(18,992)
Impairment loss	–	–	2,492	2,492
Foreign currency adjustment	–	(262)	(579)	(841)
At 31 December 2006	18,255	2,773	50,573	71,601
<b>Net book value</b>				
At 31 December 2006	48,887	6,274	29,713	84,874
At 31 December 2005	50,754	7,499	23,348	81,601
At 1 January 2005	53,730	8,881	27,303	89,914

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

	Fixtures, fittings, equipment and vehicles	
	2006 £'000	2005 £'000
<b>Cost</b>		
At 1 January 2006	978	206
Additions	13,381	772
Disposals	(225)	–
At 31 December 2006	14,134	978
<b>Accumulated depreciation and impairment</b>		
At 1 January 2006	377	51
Charge for year	1,561	326
Disposals	(101)	–
At 31 December 2006	1,837	377
<b>Net carrying amount</b>	<b>12,297</b>	<b>601</b>

## Notes to the consolidated financial statements continued

## 13 Intangible assets

	Goodwill £'000	Software £'000	Other intangible assets £'000	Total £'000
<b>Cost</b>				
At 1 January 2005	4,755	10,347	–	15,102
Additions	–	3,385	–	3,385
Disposals	–	(1,607)	–	(1,607)
Foreign currency adjustment	–	(64)	–	(64)
At 31 December 2005	4,755	12,061	–	16,816
Additions	–	2,227	272	2,499
Disposals	–	(2,050)	–	(2,050)
Foreign currency adjustment	–	(147)	–	(147)
At 31 December 2006	4,755	12,091	272	17,118
<b>Amortisation and impairment</b>				
At 1 January 2005	–	7,179	–	7,179
Charged during the year	–	1,784	–	1,784
Disposals	–	(1,607)	–	(1,607)
Foreign currency adjustment	–	(33)	–	(33)
At 31 December 2005	–	7,323	–	7,323
Charged during the year	–	1,861	46	1,907
Disposals	–	(2,041)	–	(2,041)
Impairment loss	–	114	–	114
Foreign currency adjustment	–	(130)	–	(130)
At 31 December 2006	–	7,127	46	7,173
<b>Net book value</b>				
At 31 December 2006	4,755	4,964	226	9,945
At 31 December 2005	4,755	4,738	–	9,493
At 1 January 2005	4,755	3,168	–	7,923

Other intangible assets relate to customer contracts, as acquired as part of the Group's re-organisation of its holding in HelpByCom, which are amortised over the life of the individual contracts, which equates to an average useful life of 5 years

## 14 Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units Computacenter (UK) Limited and RD Trading Limited for impairment testing. These are the lowest level of cash-generating units that can be reliably and separately identified.

No impairment provision has been required.

The recoverable amounts of Computacenter (UK) Limited and RD Trading Limited have been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 12.0% (2004: 8.0%).

	Total 2006 £'000	Total 2005 £'000
Carrying amount of goodwill		
Computacenter (UK) Ltd	3,920	3,920
RD Trading Limited	835	835
	4,755	4,755

Key assumptions used in the value in use calculation for both Computacenter (UK) Limited and RD Trading Limited for 31 December 2006 and 31 December 2005 are:

- budgeted revenue – the basis used to determine the value assigned to the budgeted revenue is long-run market growth forecasts
- budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends



**15 Investments**

	2006 £'000	2005 £'000
Investment in associate	-	288

**a) Investment in associate**

During the year the Group disposed of its 49% interest in HelpByCom GmbH to Sellbytel Communication Group GmbH for a consideration of £364,000 (€540,000). As part of the transaction Computacenter purchased certain of HelpByCom's intangible assets from Sellbytel for a consideration of £272,000 (€404,000). The date of economic transfer for the disposal was 1 January 2006 and as a consequence the Group is not entitled to share in the profits of HelpByCom for 2006.

**b) Investment in subsidiaries**

Details of the investments in which the Group holds 20% or more of the nominal value of ordinary share capital are as follows:

Name	Country of incorporation	Nature of business	% equity interest	
			2006	2005
Computacenter (UK) Limited	England	IT Infrastructure services	100%	100%
Computacenter France SA	France	IT Infrastructure services	100%	100%
Computacenter Holding GmbH	Germany	IT Infrastructure services	100%	100%
Computacenter GmbH	Germany	IT Infrastructure services	100%	100%
CC Managed Services GmbH	Germany	IT Infrastructure services	100%	100%
Computacenter NV/SA	Belgium	IT Infrastructure services	100%	100%
RD Trading Limited	England	IT Asset Management	100%*	100%
Computacenter PSF SA	Luxembourg	IT Infrastructure services	100%	100%
Computacenter Solutions SA	Luxembourg	IT Infrastructure services	100%**	100%
Computacenter USA	USA	IT Infrastructure services	100%*	-
Computacenter Services (Iberia) SLU	Spain	International Call Centre Services	100%*	-

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

\*\* Includes indirect holdings of 89% via Computacenter PSF SA

Computacenter plc is the ultimate parent entity of the Group.

Computacenter USA was incorporated during the year in order to fulfil certain customer contracts.

Computacenter Services (Iberia) SLU was incorporated during the year to enable the Group to expand its international service desk operations.

**16 Inventories**

	2006 £'000	2005 £'000
Goods held for sale	94,586	100,233

**17 Trade and other receivables**

	2006 £'000	2005 £'000
Trade receivables	426,113	381,645
Amount due from associate	-	25
Other debtors	1,206	1,297
Other related parties	-	3
	427,319	382,970

For terms and conditions relating to related party receivables, refer to note 28.

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

## Notes to the consolidated financial statements continued

## 18 Cash and short-term deposits

	2006 £'000	2005 £'000
Cash at bank and in hand	17,882	164,797
Short-term deposits	60,000	–
	<b>77,882</b>	<b>164,797</b>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £77,882,000 (2005: £164,797,000).

At 31 December 2006, the Group had available £10,000,000 (2005: £9,100,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. In addition the Group has £79,000,000 (2005: £59,200,000) of overdraft facilities.

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

	2006 £'000	2005 £'000
Cash at bank and in hand	17,882	164,797
Short-term deposits	60,000	–
Bank overdrafts (note 20)	(18,900)	(31,886)
	<b>58,982</b>	<b>132,911</b>

## 19 Trade and other payables

	2006 £'000	2005 £'000
Trade payables	195,173	197,141
Amount due to associate	–	79
Other payables	120,673	118,736
Other related parties	–	41
	<b>315,846</b>	<b>315,997</b>

Terms and conditions of the above financial liabilities:

For terms and conditions relating to related parties, refer to note 28.

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

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

## 20 Financial liabilities

	2006 £'000	2005 £'000
<b>Current</b>		
Bank loans	–	326
Bank overdrafts	18,900	31,886
Other loans	4,443	–
Factor financing	29,549	31,542
Current obligations under finance leases (note 21)	2,844	377
	<b>55,736</b>	<b>64,131</b>
<b>Non-current</b>		
Other loans	2,803	–
Non-current obligations under finance leases (note 21)	8,559	275
	<b>11,362</b>	<b>275</b>

## Bank loan

The bank loan comprised an amount of £326,000 relating to the Executive Share Option Scheme. The loan bore interest at LIBOR +1.56%.

## Bank overdrafts

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

**20 Financial liabilities** continued**Finance leases**

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

**Other loans**

The other loans are borrowings to finance assets leased to customers on operating leases.

Other loans comprise the following:

	2006 £'000	2005 £'000
£1,221,615 interest free loan 2007	338	-
£429,145 fixed rate loan 2007	324	-
£1,358,724 fixed rate loan 2008	719	-
£2,634,625 fixed rate loan 2008	1,911	-
£1,132,534 fixed rate loan 2008	821	-
£2,441,280 interest free loan 2008	732	-
£2,000,000 interest free loan 2008	2,000	-
£1,229,096 fixed rate loan 2009	401	-
	7,246	-
Less: current instalments due on other loans	4,443	-
	2,803	-

**£1,221,615 interest free loan**

This unsecured loan is repayable in one instalment of £601,390 and eleven equal monthly instalments concluding on 30/06/07. The loan is interest free.

**£429,145 fixed rate loan**

This unsecured loan is repayable over four equal quarterly instalments concluding on 1/9/07. The loan bears interest at 7.35%.

**£1,358,724 fixed rate loan**

This unsecured loan is repayable in one instalment of £640,006 plus eight quarterly payments ending on 1/10/08. The loan bears interest at 2.48%.

**£2,634,625 fixed rate loan**

This unsecured loan is repayable in one instalment of £723,603 plus eight quarterly payments concluding on 1/12/08. The loan bears interest at 5.11%.

**£1,132,534 fixed rate loan**

This unsecured loan is repayable in one instalment of £311,065 plus eight quarterly payments concluding on 1/12/08. The loan bears interest at 5.09%.

**£2,441,280 interest free loan**

This unsecured loan is repayable in one annual instalment of £1,708,896 on 31/12/06 followed by one annual payment of £732,384 on 1/1/08. The loan is interest free.

**£2,000,000 interest free loan**

This unsecured loan is repayable in one payment of £1,400,000 on 1/4/07 and one payment of £600,000 on 1/1/08. The loan is interest free.

**£1,229,096 fixed rate loan**

This unsecured loan is repayable in one instalment of £677,906 plus eleven quarterly payments concluding on 30/06/09. The loan bears interest at 2.76%.

**Notes to the consolidated financial statements** continued**20 Financial liabilities** continued

The table below summarises the maturity profile of these loans

	2006 £'000	2005 £'000
Not later than one year	4,443	–
After one year but not more than five years	2,803	–
	7,246	–

**Factor financing**

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

**21 Obligations under leases****a) Finance lease commitments**

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

	2006		2005	
	Minimum payments £'000	Present value of payments £'000	Minimum payments £'000	Present value of payments £'000
Within one year	3,501	2,844	452	377
After one year but not more than five years	10,593	8,559	330	275
Present value of minimum lease payments	14,094	11,403	782	652

**b) Operating lease commitments where the Group is lessee**

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

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

	2006 £'000	2005 £'000
Not later than one year	36,324	35,920
After one year but not more than five years	49,159	53,524
More than five years	24,005	28,810
	109,488	118,254

**c) Operating lease receivables where the Group is lessor**

During the year the Group entered into commercial leases with customers on certain items of machinery.

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

	2006 £'000	2005 £'000
Not later than one year	8,541	–
After one year but not more than five years	12,723	–
	21,264	–

The amounts receivable are directly related to the finance lease obligations and other loans of £18,649,000 detailed in notes 20 and 21b.

## 22 Provisions

	Property provisions £'000	Deferred tax £'000	Total £'000
At 1 January 2006	16,197	1,393	17,590
Arising during the year	1,827	51	1,878
Utilised	(3,011)	(195)	(3,206)
Movement in discount rate	142	-	142
Exchange adjustment	(184)	-	(184)
At 31 December 2006	14,971	1,249	16,220
Current 2006	2,132	-	2,132
Non-current 2006	12,839	1,249	14,088
	14,971	1,249	16,220
Current 2005	2,190	-	2,190
Non-current 2005	14,007	1,393	15,400
	16,197	1,393	17,590

### Property provisions

Assumptions used to calculate the property provisions are based on the market value of the rental charges plus any contractual dilapidation expenses on empty properties and the Directors' best estimates of the likely time before the relevant leases can be reassigned or sublet, which ranges between 1 year and 10 years. The provisions in relation to the UK properties are discounted at a rate based upon the Bank of England base rate. Those in respect of the European operations are discounted at a rate based on Euribor.

## 23 Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the Finance Director's Review on pages 20 to 23.

### Interest rate risk

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

	Functional currency	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
<b>Year ended 31 December 2006</b>								
<i>Fixed rate</i>								
Cash and short-term deposits	Sterling	60,000	-	-	-	-	-	60,000
Other loans	Sterling	(1,768)	(1,937)	(133)	-	-	-	(3,838)
Finance leases	Sterling/Euro	(2,784)	(2,626)	(2,526)	(1,921)	(1,486)	-	(11,343)
<i>Floating rate</i>								
Cash and short-term deposits	Sterling	15,414	-	-	-	-	-	15,414
Cash and short-term deposits	Dollar	1,141	-	-	-	-	-	1,141
Cash and short-term deposits	Euro	478	-	-	-	-	-	478
		17,033	-	-	-	-	-	17,033
Forward currency contracts	Euro/Dollar	57	-	54	-	-	-	111
Bank overdraft	Euro	(18,900)	-	-	-	-	-	(18,900)
Factor financing	Euro	(29,549)	-	-	-	-	-	(29,549)
Property provisions	Sterling/Euro	(2,132)	(2,302)	(1,688)	(1,629)	(1,531)	(5,689)	(14,971)
<i>Interest free</i>								
Cash and short-term deposits	Sterling	8	-	-	-	-	-	8
Cash and short-term deposits	Dollar	418	-	-	-	-	-	418
Cash and short-term deposits	Euro	423	-	-	-	-	-	423
		849	-	-	-	-	-	849
Other loans	Sterling	(2,675)	(733)	-	-	-	-	(3,408)
Finance leases	Sterling	(60)	-	-	-	-	-	(60)
Other non-current liabilities	Sterling	-	(917)	-	-	-	-	(917)

## Notes to the consolidated financial statements continued

## 23 Financial instruments continued

	Functional currency	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
<b>Year ended 31 December 2005</b>								
<i>Fixed rate</i>								
Finance leases	Sterling	(257)	(258)	-	-	-	-	(515)
<i>Floating rate</i>								
Cash and short-term deposits	Sterling	156,856	-	-	-	-	-	156,856
Cash and short-term deposits	Dollar	1,794	-	-	-	-	-	1,794
Cash and short-term deposits	Euro	5,994	-	-	-	-	-	5,994
		164,644	-	-	-	-	-	164,644
Forward currency contracts	Euro/Dollar	191	-	-	-	-	-	191
Bank loan	Sterling	(326)	-	-	-	-	-	(326)
Bank overdraft	Euro	(31,886)	-	-	-	-	-	(31,886)
Factor financing	Euro	(31,542)	-	-	-	-	-	(31,542)
Property provisions	Sterling/Euro	(2,329)	(1,439)	(1,397)	(1,599)	(1,633)	(7,800)	(16,197)
<i>Interest free</i>								
Cash and short-term deposits	Sterling	54	-	-	-	-	-	54
Cash and short-term deposits	Euro	49	-	-	-	-	-	49
		103	-	-	-	-	-	103
Finance leases	Sterling	(120)	(17)	-	-	-	-	(137)
Other non-current liabilities	Sterling	-	(371)	-	-	-	-	(371)

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

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

**Credit risk**

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

**Fair values**

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

**23 Financial instruments continued****Hedging activities – fair value hedges**

At 31 December 2006 and 2005, the Group held five foreign exchange contracts designated as hedges of an inter-company loan and future expected payments to suppliers. The exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are detailed below.

**31 December 2006**

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK					
	Euros	Sterling	€10,158,301	Sept 07– Jan 09	1.366–1.437
	Dollars	Sterling	\$3,000,000	Jan 2007	1.969–1.969
Germany					
	Dollars	Euros	\$17,100,000	Jan 2007	1.316–1.334

**31 December 2005**

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
	Euros	Sterling	€14,291,699	Jan–Sept 2006	1.437–1.641
Germany					
	Dollars	Euros	\$3,300,000	Jan 2006	1.191–1.200

**24 Authorised and issued capital and reserves**

	2006 £'000	2005 £'000
<i>Authorised</i>		
Ordinary shares of 6p each	25,000	–
Ordinary shares of 5p each	–	25,000
B shares of 39p each	75,000	–
	100,000	25,000

**Ordinary shares***Issued and fully paid*

	5p ordinary shares No '000's	6p ordinary shares No '000's	39p B shares No '000's	£'000
<b>At 1 January 2005</b>	189,790	–	–	9,489
Issued during the year for cash on exercise of share options	317	–	–	16
<b>At 31 December 2005</b>	190,107	–	–	9,505
Issued during the year for cash on exercise of share options	769	451	–	66
Bonus issue	–	–	190,876	–
Share redemption	–	–	(190,876)	–
Share consolidation	(190,876)	159,063	–	–
<b>At 31 December 2006</b>	–	159,514	–	9,571

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

The B shares were issued as a bonus issue on 3 July 2006 on the basis of 1 B share for every 1 Ordinary Share held as at 30 June 2006. The holders of B shares are not entitled to any right of participation in the profits of the Company. On a winding-up of the Company the holders of B shares have a right to receive, in preference to payments to Ordinary shareholders, the repayment of the nominal capital paid up or credited as paid up on the B shares held by them.

The B shares carry no voting rights at General Meetings. The holders of B shares are not entitled to receive notice of, attend or speak at any such meeting, unless the business of the meeting includes the consideration of a resolution for the winding-up of the Company in which case holders of B shares shall have the right to attend the General Meeting and shall be entitled to speak and vote only on any such resolution.

On July 4 2006 all B shares in issue were redeemed at par.

As a result of the 5 for 6 consolidation and issue of B shares on 3 July 2006, 190,876,000 ordinary shares of 5p became 159,063,000 ordinary shares of 6p.

The Company has two share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (note 25).

## Notes to the consolidated financial statements continued

## 24 Authorised and issued capital and reserves continued

## Share premium

	£'000
<b>At 1 January 2005</b>	73,920
Shares issued	760
<b>At 31 December 2005</b>	74,680
Shares issued	2,317
Bonus share issue	(74,442)
Expenses on share issue	(308)
<b>At 31 December 2006</b>	2,247

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

## Capital redemption reserve

	£'000
<b>At 1 January and 31 December 2005</b>	100
Redemption of B shares	74,442
<b>At 31 December 2006</b>	74,542

The capital redemption reserve is used to maintain the Company's capital following the purchase and cancellation of its own shares

## Own shares held

Own shares held comprise the following

i) *Computacenter Employee Share Ownership Plan*

Shares in the parent undertaking comprise 1,189,201 (2005 1,427,042) 5p ordinary shares of Computacenter plc purchased by the Computacenter Employee Share Ownership Plan ('the Plan'). The number of shares held represents 0.7% of the Company's issued share capital

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

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

The Plan Trustees have waived the dividends receivable in respect of 1,189,201 shares that it owns which are all unallocated shares.

ii) *Computacenter Qualifying Employee Share Trust ('the QUEST')*

The total shares held are 761,548 (2005 780,966). All of these shares will continue to be held by the Quest until such time as the Sharesave options granted against them are exercised. The market value of these shares at 31 December 2006 was £2,045,000. The Quest Trustees have waived dividends in respect of all of these shares. During the year the Quest used the proceeds from UK sharesave option exercises to subscribe for 334,654 new 6p ordinary shares and 262,018 new 5p ordinary shares.

iii) *Computacenter Trustees Limited*

During the year no new awards of share allocations were made under the Computacenter Bonus Plus Share Plan. As at the year end date the total number of shares held by Computacenter Trustees Limited was 381,534 (2005 457,841), all of which are unallocated shares. Dividends are waived in respect of unallocated shares.

## Foreign currency translation reserve

	£'000
<b>At 1 January 2005</b>	(911)
Currency translation differences	(846)
<b>At 31 December 2005</b>	(1,757)
Currency translation differences	(698)
<b>At 31 December 2006</b>	(2,455)

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. Differences arising prior to the transition to IFRS (i.e. 1 January 2004) have not been recognised under the provisions of IFRS 1.



## 25 Share based payments

### Executive share option scheme

During the year, options were exercised with respect to 506,200 5p ordinary shares at a nominal value of £25,310 (2005 £1,430) and at an aggregate premium of £665,540 (2005 £54,980). Subsequent to the Capital Reorganisation options in respect of 123,000 6p ordinary shares, at a nominal value of £7,380 and an aggregate premium of £213,420, were exercised. The total nominal value of options exercised during the year was £32,690 (2005 £1,430) and the total aggregate premium was £878,960 (2005 £54,980).

Under the Computacenter Employee Share Option Scheme 1998 and the Computacenter Services Group Executive Share Scheme, options in respect of 2,714,121 shares lapsed and options over 2,819,600 shares were granted.

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

Date of grant	Exercisable between	Exercise price	2006 Number outstanding	2005 Number outstanding
09/04/1996	09/04/1999 – 08/04/2006	41 25p	–	150,000
31/07/1997	31/07/2000 – 30/07/2007	160 00p	129,900	516,100
16/03/1998	16/03/2001 – 15/03/2008	300 00p	286,500	398,900
01/04/1999	01/04/2002 – 31/03/2009	565 00p	61,240	88,144
05/05/1999	05/05/2002 – 04/05/2009	565 00p	141,758	203,696
24/08/1999	24/08/2002 – 23/08/2009	565 00p	–	8,849
24/08/1999	24/08/2003 – 23/08/2009	565 00p	13,724	13,724
27/09/2000	27/09/2003 – 26/09/2010	380 00p	371,474	864,806
27/09/2000	27/09/2004 – 26/09/2010	380 00p	33,333	223,332
27/09/2000	27/09/2005 – 26/09/2010	380 00p	33,333	223,332
20/03/2001	20/03/2004 – 19/03/2011	333 50p	150,000	158,995
20/03/2001	20/03/2005 – 19/03/2011	333 50p	150,000	150,000
20/03/2001	20/03/2006 – 19/03/2011	333 50p	200,000	200,000
19/09/2001	19/09/2004 – 18/09/2011	245 00p	100,000	100,000
19/09/2001	19/09/2005 – 18/09/2011	245 00p	50,000	50,000
19/09/2001	19/09/2006 – 18/09/2011	245 00p	50,000	50,000
10/04/2002	10/04/2005 – 09/04/2012	322 00p	352,316	720,816
10/04/2002	10/04/2005 – 09/04/2012	331 00p	45,000	60,000
11/10/2002	11/10/2005 – 10/10/2012	220 00p	–	85,000
21/03/2003	21/03/2006 – 20/03/2013	266 50p	564,000	1,133,000
02/04/2004	02/04/2007 – 01/04/2014	424 00p	523,000	1,136,000
14/10/2004	14/10/2007 – 13/10/2014	311 50p	–	64,205
24/10/2006	24/10/2009 – 23/10/2016	250 00p	2,819,600	–
			<b>6,075,178</b>	<b>6,598,899</b>

### Computacenter Performance Related Share Option Scheme

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

During the year 84,708 options lapsed. No options were granted during the course of the year.

At 31 December 2006 the number of shares under outstanding options were as follows:

Date of grant	Exercisable between	Exercise price	2006 Number outstanding	2005 Number outstanding
20/03/2001	20/03/2004 – 19/03/2011	333 50p	–	84,708
10/04/2002	10/04/2005 – 09/04/2012	322 00p	280,666	280,666
21/03/2003	21/03/2006 – 20/03/2013	266 50p	433,863	433,863
21/03/2003	21/03/2007 – 20/03/2013	266 50p	200,000	200,000
02/04/2004	02/04/2007 – 01/04/2014	424 00p	283,017	283,017
			<b>1,197,546</b>	<b>1,282,254</b>

## Notes to the consolidated financial statements continued

## 25 Share based payments continued

The following table illustrates the number (No) and weighted average exercise prices (WAEP) of share options for the executive share option scheme and the performance related share option scheme

	2006 No	2006 WAEP	2005 No	2005 WAEP
<i>Executive share option scheme</i>				
Outstanding at the beginning of the year <sup>1</sup>	6,598,899	£3.30	7,283,802	£3.30
Granted during the year	2,819,600	£2.50	-	-
Forfeited during the year	(2,714,121)	£3.61	(656,303)	£3.68
Exercised during the year	(629,200)	£1.45 <sup>3</sup>	(28,600)	£1.97 <sup>2</sup>
Outstanding at the end of the year	6,075,178	£2.99	6,598,899	£3.30
Exercisable at the end of the year	2,732,578	£3.26	4,015,694	£3.22

## Notes

- 1 Included within this balance are options over 2 169 000 (2005 4 266 000) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2
- 2 The weighted average share price at the date of exercise for the options exercised is £3.00
- 3 The weighted average share price at the date of exercise for the options exercised is £2.60

The weighted average remaining contractual life for the share options outstanding as at 31 December 2006 is 7.0 years (2005 5.5 years)

	2006 No	2006 WAEP	2005 No	2005 WAEP
<i>Computacenter performance related share option scheme</i>				
Outstanding at the beginning of the year <sup>1</sup>	1,282,254	£3.18	1,282,254	£3.18
Granted during the year	-	-	-	-
Forfeited during the year	(84,708)	£3.34	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	1,197,546	£3.17	1,282,254	£3.18
Exercisable at the end of the year	280,666	£3.22	365,374	£3.25

## Notes

- 1 Included within this balance are options over 281 000 (2005 365 000) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2

The weighted average remaining contractual life for the share options outstanding as at 31 December 2006 is 6.2 years (2005 7.1 years)

## Computacenter LTIP performance share plan

During the year the Company introduced the Computacenter LTIP performance share plan as its main long-term incentive scheme for senior employees. Shares granted will be subject to certain performance conditions as described in the Directors' Remuneration Report

During the year 1,571,604 shares were awarded and 37,666 lapsed

At 31 December 2006 the number of shares outstanding was as follows

Date of grant	Maturity date	Share price	2006 Number outstanding
12/04/2006	01/04/2009	254.00p	1,392,858
10/05/2006	01/04/2009	254.00p	141,080
			1,533,938

## Computacenter Sharesave Scheme

The Company operates a Sharesave Scheme which is available to all employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. All options granted to UK employees under this scheme are satisfied at exercise by way of a transfer of shares from the Computacenter Qualifying Employee Share Trust. In the case of options granted to employees based overseas, all option exercises are satisfied by new share issues. During 2006, options over 4,455 shares were exercised by overseas employees and satisfied by new issue shares. The fair value of the options that were granted over the period to 31 December 2006 is £9,000 and is recognised as an expense in the income statement for the period (2005 £14,000)

**25 Share based payments continued**

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

Date of Grant	Exercisable between	Share price	2006 Number outstanding	2005 Number outstanding
September 2000	01/12/2005 – 31/05/2006	435 00p	–	387
January 2001	01/02/2006 – 31/07/2006	350 00p	11,549	57,102
October 2001	01/12/2006 – 31/05/2007	185 00p	125,038	416,394
October 2002	01/12/2005 – 31/05/2006	220 00p	–	451,955
October 2002	01/12/2007 – 31/05/2008	220 00p	374,430	410,111
October 2002	01/12/2007 – 31/05/2008	225 00p	30,518	33,578
October 2003	01/12/2006 – 31/05/2007	395 00p	264,312	307,589
October 2003	01/12/2008 – 31/05/2009	395 00p	136,986	158,889
October 2003	01/12/2008 – 31/05/2009	417 00p	9,165	9,165
October 2004	01/12/2007 – 31/05/2008	335 00p	226,246	283,924
October 2004	01/12/2008 – 31/05/2009	316 00p	11,260	12,113
October 2004	01/12/2009 – 31/05/2010	335 00p	107,478	128,934
October 2005	01/12/2008 – 31/05/2009	222 00p	671,916	821,859
October 2005	01/12/2010 – 31/05/2011	222 00p	183,717	217,941
October 2006	01/12/2009 – 31/05/2010	254 00p	295,275	–
October 2006	01/12/2011 – 31/05/2012	254 00p	121,779	–
			<b>2,569,669</b>	<b>3,309,941</b>

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

	2006 No.	2006 WAEP	2005 No.	2005 WAEP
<b>Sharesave scheme</b>				
Outstanding at the beginning of the year	3,309,941	£2.58	3,603,417	£2.76
Granted during the year	417,054	£2.54	1,039,800	£2.22
Forfeited during the year	(685,190)	£2.59	(897,273)	£3.28
Exercised during the year	(472,136)	£1.99 <sup>3</sup>	(436,003)	£1.93 <sup>2</sup>
Outstanding at the end of the year	2,569,669	£2.69	3,309,941	£2.58
Exercisable at the end of the year	400,899	£3.28	452,342	£2.20

**Notes**

- Included within this balance are options over 542,000 (2005: 1,369,527) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.
- The weighted average share price at the date of exercise for the options exercised is £2.72.
- The weighted average share price at the date of exercise for the options exercised is £2.56.

The fair value of the executive share option scheme, the performance related share option scheme and Sharesave Scheme plans are estimated as at the date of grant using the Black-Scholes valuation model. The following table gives the assumptions made during the year ended 31 December 2006 and 31 December 2005.

**Share options granted to key executives**

Nature of the arrangement	Grant of share options	Grant of share options
Date of grant	24 October 06	24 October 05
Number of instruments granted	1,119,600	1,700,000
Exercise price	£2.50	£2.50
Share price at date of grant	£2.50	£2.50
Contractual life (years)	10	10
Vesting conditions	Three years of service and growth in EPS of RPI plus 5%	Three year service period
Expected volatility	38.40%	38.40%
Expected option life at grant date (years)	4.5	4.5
Risk-free interest rate	4.85%	4.85%
Dividend yield	3.00%	3.00%
Fair value per granted instrument determined at grant date	£0.75	£0.75

## Notes to the consolidated financial statements continued

## 25 Share based payments continued

## Save as you earn scheme

Nature of the arrangement	SAYE scheme	SAYE scheme	SAYE scheme	SAYE scheme
Date of grant	28 October 05	28 October 05	30 October 06	30 October 06
Number of instruments granted	821,859	217,941	295,721	121,779
Exercise price	£2.22	£2.22	£2.54	£2.54
Share price at date of grant	£2.01	£2.01	£2.55	£2.55
Contractual life (years)	3	5	3	5
	Three year service period and savings requirement	Five year service period and savings requirement	Three year service period and savings requirement	Five year service period and savings requirement
Vesting conditions				
Expected volatility	38.30%	38.30%	38.40%	38.40%
Expected option life at grant date (years)	3.00	5.00	3.00	5.00
Risk-free interest rate	4.18%	4.18%	4.75%	4.75%
Dividend yield	3.73%	3.73%	2.94%	2.94%
Fair value per granted instrument determined at grant date	£0.41	£0.51	£0.66	£0.80

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

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

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

## 26 Capital commitments

At 31 December 2006 and 31 December 2005, all future contracted Group capital expenditure had been provided for.

## 27 Pensions and other post-employment benefit plans

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

## 28 Related party transactions

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

Biomni provides the Computacenter e-procurement system used by many of Computacenter's major customers. An annual fee has been agreed on a commercial basis for use of the software for each installation. Total fees paid in the year to Biomni amounted to £618,000 (2005: £342,000). Both PJ Ogden and PW Hulme are directors of and have a material interest in Biomni Limited.

During the year, HelpByCom supplied services to the Group in the normal course of business totalling £nil (2005: £4,267,000).

## Terms and conditions of transactions with related parties

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

## Compensation of key management personnel (including Directors)

Please refer to the information given in the Directors' remuneration table in the Directors' Remuneration Report on page 32 for details of compensation given to the Group's key management personnel. There are no other key management personnel.

## 29 Post balance sheet event

On 4 January 2007, Computacenter plc completed the acquisition of Digica Group from Bridgepoint Capital, Lyceum Capital (through its investment in Fox IT) and management shareholders. The consideration paid for Digica amounted to £15.9 million, in addition to which Computacenter settled assumed debt of £12.1 million, both of which were satisfied from cash reserves. The assessment of the fair value of assets acquired is in progress and yet to be finalised.

## **Statement of Directors' responsibilities in relation to the Parent Company financial statements**

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

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

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

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

## Independent auditors' report to the shareholders of Computacenter plc

We have audited the Parent Company financial statements of Computacenter plc for the year ended 31 December 2006 which comprise the Balance Sheet and the related notes 1 to 13. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Computacenter plc for the year ended 31 December 2006.

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

### Respective responsibilities of Directors and auditors

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

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

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

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

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

### Basis of audit opinion

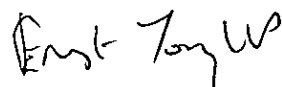
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements and the part of the Directors'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

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

### Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006,
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.



**Ernst & Young LLP**

Registered auditor

Luton

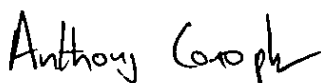
12 March 2007

**Company balance sheet**

At 31 December 2006

	Notes	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Intangible assets	3	144,221	152,721
Tangible assets	4	31,794	33,409
Investments	5	144,677	153,287
		<b>320,692</b>	<b>339,417</b>
<b>Current assets</b>			
Debtors	6	91,140	90,727
Cash at bank and in hand		8	54
		<b>91,148</b>	<b>90,781</b>
<b>Creditors</b> , Amounts falling due within one year	7	<b>(175,054)</b>	<b>(180,042)</b>
<b>Net current liabilities</b>		<b>(83,906)</b>	<b>(89,261)</b>
<b>Total assets less current liabilities</b>		<b>236,786</b>	<b>250,156</b>
<b>Creditors</b> , amounts falling due after more than one year	8	<b>(62,704)</b>	<b>(71,704)</b>
<b>Provisions for liabilities and charges</b>	9	<b>(1,198)</b>	<b>(1,339)</b>
<b>Net assets</b>		<b>172,884</b>	<b>177,113</b>
<b>Capital and reserves</b>			
Called up share capital	10	9,571	9,505
Share premium account	10	2,247	74,680
Capital redemption reserve	10	74,542	100
Merger reserve	10	55,990	55,990
Profit and loss account	10	30,534	36,838
<b>Shareholders' funds - equity</b>		<b>172,884</b>	<b>177,113</b>

Approved by the Board on 12 March 2007


**MJ Norris**  
Chief Executive

**FA Conophy**  
Finance Director

## Notes to the Company financial statements

For the year ended 31 December 2006

### 1 Accounting policies

#### Basis of preparation

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

No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985. The profit after tax for the Company was £79,553,000 (2005 £17,261,000 loss)

The Company has taken the exemption in FRS 1 5(a) and consequently no cash flow statement is presented for the Company

The Company has taken advantage of the exemption in paragraph 3C of FRS 25 Financial Instruments: Disclosure and Presentation and has not disclosed information required by paragraphs 51 to 95 of that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IAS 32 Financial Instruments: Presentation and Disclosure

#### Intellectual property

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

#### Depreciation of fixed assets

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

Freehold buildings	50 years
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#### Investments

Fixed asset investments are shown at cost less provision for impairment

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date, except to the extent that such assets or liabilities are covered by forward exchange contracts. In such cases the contracted rates are used. All differences are taken to the profit and loss account

#### Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model, further details of which are given in note 25 of the Group's accounts. 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 Directors' best estimate of the number of equity instruments that will

ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. As the schemes do not include any market-related performance conditions, no expense is recognised for awards that do not ultimately vest

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

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

The Group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity (see note 24 of the Group's accounts)

The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards and has applied FRS 20 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 1 January 2005

#### Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date with the exception that deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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



## 2 Share based payments

The analysis and disclosures in relation to share based payments is given in the Group's accounts in note 25

## 3 Intangible assets

	Intellectual property £'000
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	169,737
<b>Amortisation</b>	
At 1 January 2006	17,016
Charge in the year	8,500
At 31 December 2006	25,516
<b>Net book value</b>	
At 31 December 2006	144,221
At 31 December 2005	152,721

## 4 Tangible fixed assets

	Freehold land and buildings £'000
<b>Cost</b>	
At 1 January 2006 and 31 December 2006	42,350
<b>Depreciation</b>	
At 1 January 2006	8,941
Charge in the year	1,615
At 31 December 2006	10,556
<b>Net book value</b>	
At 31 December 2006	31,794
At 31 December 2005	33,409

## 5 Investments

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Investments £'000	Total £'000
<b>Cost</b>				
At 1 January 2006	194,056	9,917	25	203,998
Additions	9,381	85	-	9,466
Disposals	-	-	-	-
Repaid	-	(84)	-	(84)
At 31 December 2006	203,437	9,918	25	213,380
<b>Amounts provided</b>				
At 1 January 2006	47,932	2,754	25	50,711
During the year	17,992	-	-	17,992
Disposals	-	-	-	-
At 31 December 2005	65,924	2,754	25	68,703
<b>Net book value</b>				
At 31 December 2006	137,513	7,164	-	144,677
At 31 December 2005	146,124	7,163	-	153,287

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

## Notes to the Company financial statements continued

## 6 Debtors

	2006 £'000	2005 £'000
Amount owed by subsidiary undertaking	90,000	90,000
Other debtors	127	127
Corporation tax	1,013	600
	<b>91,140</b>	<b>90,727</b>

## 7 Creditors, amounts falling due within one year

	2006 £'000	2005 £'000
Amount owed to subsidiary undertaking	175,027	179,580
Accruals	27	462
	<b>175,054</b>	<b>180,042</b>

## 8 Creditors, amounts falling due after more than one year

	2006 £'000	2005 £'000
Deferred income	62,704	71,704

## 9 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 2006	<b>1,339</b>
Capital allowances in advance of depreciation	(141)
At 31 December 2006	<b>1,198</b>

## 10 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
<b>At 1 January 2005</b>	<b>9,489</b>	<b>73,920</b>	<b>100</b>	<b>55,990</b>	<b>68,930</b>	<b>208,429</b>
Shares issued	16	760	-	-	-	776
Total recognised losses in the year	-	-	-	-	(17,261)	(17,261)
Cost of share-based payments	-	-	-	-	(366)	(366)
Equity dividends	-	-	-	-	(14,465)	(14,465)
<b>At 31 December 2005</b>	<b>9,505</b>	<b>74,680</b>	<b>100</b>	<b>55,990</b>	<b>36,838</b>	<b>177,113</b>
Shares issued	66	2,317	-	-	-	2,383
Total recognised gains in the year	-	-	-	-	79,553	79,553
Cost of share-based payments	-	-	-	-	1,411	1,411
Bonus issue	74,442	(74,442)	-	-	-	-
Expenses on bonus issue	-	(308)	-	-	-	(308)
Share redemption	(74,442)	-	74,442	-	(73,886)	(73,886)
Expenses on redemption	-	-	-	-	(56)	(56)
Equity dividends	-	-	-	-	(13,326)	(13,326)
<b>At 31 December 2006</b>	<b>9,571</b>	<b>2,247</b>	<b>74,542</b>	<b>55,990</b>	<b>30,534</b>	<b>172,884</b>

During the year the Company effected a Return of Capital to Shareholders. Details of these transaction are given in the Group's consolidated financial statements in note 24

### **11 Contingent liabilities**

The Company has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding £16,939,000 (2005 £15,225,000)

The Company has given a guarantee in the normal course of business to a customer of a subsidiary undertaking for an amount not exceeding £24,933,000 (2005 £14,158,000)

The Company has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings  
The amount outstanding at 31 December is £39,117,000 (2005 £28,144,000)

### **12 Related party transactions**

The Company has taken the exemption in FRS 8 3 not to disclose transactions with other Group Companies

The Company has not traded with any of the related parties disclosed in note 28 of the Group's accounts

### **13 Auditors remuneration**

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

**Group five year financial review**

Year ended 31 December

	Prepared under UK GAAP		Prepared under IFRS		
	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m
Revenue	1,926.7	2,481.3	2,410.6	2,285.2	<b>2,269.9</b>
Pre-exceptional operating profit from continuing operations	56.2	65.9	66.2	28.9	<b>33.6</b>
Profit before tax	55.1	65.2	67.9	34.0	<b>32.9</b>
Profit for the year from continuing operations	37.0	46.3	48.3	20.4	<b>18.9</b>
Diluted earnings per share (excluding exceptional items)	19.3p	24.6p	25.6p	11.8p	<b>13.8p</b>
Year-end headcount	6,022	9,716	9,610	9,370	<b>9,329</b>

**Group summary balance sheet**

Year ended 31 December

	Prepared under UK GAAP		Prepared under IFRS		
	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m
Tangible assets	96.7	100.6	89.9	81.6	<b>84.9</b>
Intangible assets	0.2	4.2	7.9	9.5	<b>9.9</b>
Investments	12.4	11.0	0.4	0.3	–
Deferred tax asset	–	–	1.5	5.5	<b>6.2</b>
Inventories	95.7	134.1	118.9	100.2	<b>94.6</b>
Trade and other receivables	286.9	442.3	399.4	383.0	<b>427.3</b>
Prepayments	–	–	55.2	63.5	<b>50.4</b>
Forward currency contracts	–	–	–	0.2	<b>0.1</b>
Cash	92.1	97.0	138.2	164.8	<b>77.9</b>
Assets held in disposal groups held for sale	–	–	9.2	–	–
Current liabilities	(328.5)	(466.8)	(468.6)	(461.9)	<b>(459.8)</b>
Non-current liabilities	(1.6)	(13.9)	(19.8)	(16.0)	<b>(26.4)</b>
Liabilities included in disposal groups held for sale	–	–	(6.9)	–	–
Net assets	253.9	308.5	325.3	330.7	<b>265.1</b>

## Group financial calendar

Annual General Meeting	4 May 2007
Final dividend record date	4 May 2007
Final dividend payment date	31 May 2007
Interim results 2007 date	11 September 2007
Interim dividend record date	21 September 2007
Interim dividend payment date	19 October 2007

## Corporate information

### Board of Directors

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

### Company Secretary

Stephen Benadé

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