

## Corporate governance

## Directors' report

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

## Principal activities

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

## Business review

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

## Results and dividends

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

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

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

## Post balance sheet event

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

## Directors

The Directors who served during the year ended 31 December

## Directors' interests in shares

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

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

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

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

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

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

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

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

## Major interests in shares

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

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

## Directors' indemnities

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

## Capital structure

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

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

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

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

## Creditors payment policy

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

## Financial instruments

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

## Employee share schemes

The Company operates executive share option schemes and a performance-related option scheme for the benefit of employees. During the year, 670,400 options over ordinary shares of 6p were granted under the executive share option schemes (2006: 2,819,600).

At the year-end options remained outstanding under these schemes in respect of a total of 6,786,041 ordinary shares of 6p each (2006: 7,272,724 ordinary shares). During the year, options over 230,900 shares were exercised and options over 926,183 shares lapsed.

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

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

## Corporate social responsibility

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

## Health, safety and environment

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

## Employee involvement

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

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

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

**Equal opportunities**

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

**Performance and personal development**

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

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

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

**Workplace**

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

**Business ethics**

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

**Community relations and charity activities**

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

**Going concern**

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

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

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

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

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

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

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

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

**Auditors**

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

By order of the Board


**SJ Benadé**

Secretary  
10 March 2008