Notes to the consolidated financial statements
For the year ended 31 December 2007

1 Authorisation of financial statements and statement of compliance with IFRS
The consolidated financial statements of Computacenter plc for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Directors on 10 March 2008. 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 2007 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 is presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Changes in accounting policy and disclosures
The accounting policies adopted are consistent with those of the previous financial year except as described below:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these standards did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures:

IFRS 7 Financial Instruments: Disclosures
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. Whilst there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of Financial Statements
The amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These new disclosures are shown in note 24.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions
The Group has elected to early adopt IFRIC Interpretation 11 as of January 2007, insofar as it applies to consolidated financial statements. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme.

New standards and interpretations not applied
During the year, the IASB and IFRIC have issued the following standards and interpretations which are expected to have implications for the reporting of the financial position or performance of the Group or which will require additional disclosures in future financial years:

IFRS 8 Operating Segments
This standard is effective for financial years beginning on or after 1 January 2009 which is when the Group will adopt the requirements of the standard. IFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (geographical) and secondary (business) reporting segments of the Group.

Critical judgements and estimates
The preparation of the Group's financial statements requires management to make judgements on how to apply the Group's accounting policies and make estimates about the future. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different.

Critical judgements and estimates that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities in the next financial year relate to :

- revenue recognition where, on a limited number of support and managed services contracts, an estimate of the total contract costs is required to determine the stage of completion;
- impairment of intangible assets and goodwill;
- recognition of deferred tax assets in respect of losses carried forward, which are dependent upon estimates of future profitability of certain Group companies; and
- other estimated tax positions, where the decisions of tax authorities are uncertain.

Further information is provided within this note summarising significant accounting policies, and notes 9 and 14 to the financial statements.

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

2 Summary of significant accounting policies continued

Freehold land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on 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 derecognised.

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 as part of a business are carried initially at fair value. 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, as follows:

Existing customer contracts	Period to the end of the acquired contract
Existing customer relationships	10 years
Tools and technology	7 years

Trademarks are not amortised. 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.

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.

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.

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.

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 their original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as being remote.

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.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

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 derecognised 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 derecognised when the obligation under the liability is discharged or cancelled or expires.

Derivative financial instruments

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. 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.

Any gains or losses arising from changes in fair value on forward contracts 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 from an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available 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.

2 Summary of significant accounting policies continued

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.

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 and 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 stage of work completed.

Support and Managed Services
Contracted service revenue is recognised on a percentage of completion basis. Usually revenue is recognised on a straight-line basis, when this is representative of the stage of completion of an individual contract. 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.

On a limited number of Support and Managed Service contracts recognising revenue on a straight-line basis is not representative of the stage of completion. On these contracts, the stage of completion is determined by reference to the costs incurred as a proportion of the total estimated costs of the contract and unbilled revenue is recognised within accrued income. If a contract cannot be reliably estimated revenue is recognised only to the extent that costs have been incurred. Provision is made as soon as a loss is foreseen.

Where a contract contains several elements, the individual elements are accounted for separately where appropriate.

Finance revenue
Revenue is recognised as interest accrues.

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

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

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

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.

Notes to the consolidated financial statements continued

2 Summary of significant accounting policies continued

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 25).

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.

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 third party services for which the Group retains no risks or rewards post sale;
- 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 2007 and 2006.

3 Segmental analysis continued

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Year ended 31 December 2007					
Revenue					
Sales to external customers	1,357,305	708,581	285,698	27,557	**2,379,141**
Inter-segment sales	13,094	19,529	1,373	4,014	**38,010**
Segment revenue	1,370,399	728,110	287,071	31,571	**2,417,151**
Result					
Gross profit	197,185	94,202	31,501	2,920	**325,808**
Distribution costs	(10,572)	(3,700)	(3,855)	(217)	**(18,344)**
Administrative expenses	(152,175)	(79,428)	(29,400)	(2,747)	**(263,750)**
Operating result before amortisation of acquired intangibles	34,438	11,074	(1,754)	(44)	**43,714**
Amortisation of acquired intangibles	(481)	(132)	–	–	**(613)**
Segment operating result	33,957	10,942	(1,754)	(44)	**43,101**
Net finance income/(expense)	2,536	(1,842)	(1,613)	(123)	**(1,042)**
Profit/(loss) before tax	36,493	9,100	(3,367)	(167)	**42,059**
Income tax expense					**(13,161)**
Profit for the year					**28,898**
Assets and liabilities					
Total segment assets	578,522	186,480	56,379	3,720	**825,101**
Total segment liabilities	293,033	152,534	95,763	5,575	**546,905**
Other segment information					
Capital expenditure:					
Property, plant and equipment	42,914	12,759	648	67	**56,388**
Intangible fixed assets	3,195	2,239	185	–	**5,619**
Depreciation	22,319	4,705	–	106	**27,130**
Amortisation	2,985	451	111	–	**3,547**
Share-based payment	2,197	326	136	–	**2,659**

Notes to the consolidated financial statements continued

3 Segmental analysis continued

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Year ended 31 December 2006					
Revenue					
Sales to external customers	1,281,498	654,671	307,264	26,470	2,269,903
Inter-segment sales	8,601	11,734	764	3,336	24,435
Segment revenue	1,290,099	666,405	308,028	29,806	2,294,338
Result					
Gross profit	181,900	83,405	27,711	2,450	295,466
Distribution costs	(11,765)	(3,646)	(3,521)	(143)	(19,075)
Administrative expenses	(132,665)	(76,925)	(30,685)	(2,498)	(242,773)
Operating result before amortisation of acquired intangibles and exceptional items	37,470	2,834	(6,495)	(191)	33,618
Amortisation of acquired intangibles	–	(46)	–	–	(46)
Operating result before exceptional items	37,470	2,788	(6,495)	(191)	33,572
Exceptional items	–	–	(5,031)	–	(5,031)
Segment operating result	37,470	2,788	(11,526)	(191)	28,541
Net finance income/(expense)	6,834	(882)	(1,475)	(89)	4,388
Profit/(loss) before tax	44,304	1,906	(13,001)	(280)	32,929
Income tax expense					(13,994)
Profit for the year					18,935
Assets and liabilities					
Total segment assets	506,177	166,611	76,342	2,188	751,318
Total segment liabilities	223,296	145,382	112,679	4,832	486,189
Other segment information					
Capital expenditure:					
Property, plant and equipment	10,387	9,557	852	89	20,885
Intangible fixed assets	1,922	495	82	–	2,499
Depreciation	11,262	2,283	936	104	14,585
Amortisation	1,551	293	63	–	1,907
Share-based payment	1,173	202	28	8	1,411

Business segments

The following tables present revenue information regarding the Group's business segments for the years ended 31 December 2007 and 2006.

	Product £'000	Professional Services £'000	Support and Managed Services £'000	Total £'000
Year ended 31 December 2007				
Revenue				
Sales to external customers	1,774,164	158,488	446,489	2,379,141
Inter-segment sales	7,563	9,559	20,888	38,010
Segment revenue	1,781,727	168,047	467,377	2,417,151

3 Segmental analysis continued

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

Business segments provide the Group with common business performance reporting across geographic segments that are structured and organised differently. Due to invoice bundling and shared service and business support structures, revenue and gross profit involves allocation judgements. Each geographic segment principally consists of a single entity with shared assets, liabilities and capital expenditure. Investment decisions are made either at the level of or within a geographic segment, but are not made at a business segment level. It is, therefore, not possible to split out assets, liabilities and capital expenditure information by business segments.

4 Group operating profit

This is stated after charging:

	2007 £'000	2006 £'000
Auditors' remuneration:		
Audit of the financial statements	**411**	367
Other fees to auditors – local statutory audits for subsidiaries	**75**	21
– taxation services	**159**	115
– other services	**–**	19
	645	522
Depreciation of property, plant and equipment	**27,130**	14,585
Loss on disposal of property, plant and equipment	**190**	353
Impairment of property, plant and equipment	**–**	2,492
Impairment of intangible assets	**86**	114
Amortisation of intangible assets	**3,547**	1,907
Net foreign currency differences	**354**	115
Costs of inventories recognised as an expense	**1,573,072**	1,517,031
Operating lease payments – minimum lease payments	**22,302**	19,036

5 Exceptional items

	2007 £'000	2006 £'000
Impairment of property, plant and equipment	**–**	2,492
Impairment of intangible assets	**–**	114
Redundancy costs	**–**	2,425
	–	5,031

In 2006 the forecasted cash flows for Computacenter France no longer supported the value of the non-current assets in the business, and accordingly a full impairment to these assets was recorded at 31 December 2006 and 31 December 2007.

Restructuring costs of £2,425,000 were incurred during the year ended 31 December 2006. These principally related to headcount reductions required to restructure the indirect cost base in 2006.

Notes to the consolidated financial statements continued

6 Staff costs and Directors' emoluments

	2007 £'000	2006 £'000
Wages and salaries	**370,994**	343,669
Social security costs	**54,842**	51,189
Pension costs	**14,279**	12,899
	440,115	407,757

Included in wages and salaries is a total charge for share based payments of £2,659,000 (2006: £1,411,000), which all arise from transactions accounted for as equity-settled share-based payment transactions.

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

	2007 No.	2006 No.
UK	**4,888**	4,667
Germany	**3,879**	3,605
France	**992**	1,010
Benelux	**144**	116
	9,903	9,398

7 Finance revenue

	2007 £'000	2006 £'000
Bank interest receivable	**3,876**	6,639
Income from investments	**34**	38
	3,910	6,677

8 Finance costs

	2007 £'000	2006 £'000
Bank loans and overdrafts	**2,624**	1,886
Finance charges payable on customer specific financing	**2,025**	301
Other interest	**303**	102
	4,952	2,289

9 Income tax

a) Tax on profit on ordinary activities

	2007 £'000	2006 £'000
Tax charged in the income statement		
Current income tax		
UK corporation tax	**13,420**	14,421
Foreign tax	**113**	212
Adjustments in respect of prior periods	**(385)**	76
Consortium relief	**–**	59
Total current income tax	**13,148**	14,768
Deferred tax		
Origination and reversal of temporary differences	**(1,372)**	(499)
Losses utilised	**3,417**	–
Effect of changes in tax rate on deferred tax	**(49)**	–
Effect of changes in tax rate on German deferred tax asset	**635**	–
Changes in recoverable amounts of deferred tax assets	**(2,747)**	(275)
Adjustments in respect of prior periods	**129**	–
Total deferred tax	**13**	(774)
Tax charge in the income statement	**13,161**	13,994

9 Income tax continued
b) Reconciliation of the total tax charge

	2007 £'000	2006 £'000
Accounting profit before tax	**42,059**	32,929
At the UK standard rate of corporation tax of 30% (2006: 30%)	**12,618**	9,879
Expenses not deductible for tax purposes	**643**	724
Relief on share option gains	**(78)**	(218)
Non-deductible element of share-based payment charge	**506**	423
Adjustments in respect of current income tax of previous periods	**(256)**	(214)
Higher tax on overseas earnings	**859**	49
Effect of changes in tax rate on deferred tax	**(49)**	–
Accounting depreciation in excess of tax depreciation	**–**	21
Other differences	**(149)**	(616)
Changes in recoverable amounts of deferred tax assets	**(2,747)**	–
Effect of change in rate of overseas deferred tax asset	**635**	–
Consortium relief	**–**	59
Profit of overseas undertakings not taxable due to brought forward loss offset	**–**	(154)
Losses of overseas undertakings not available for relief	**1,179**	4,041
At effective income tax rate of 31.3% (2006: 42.6%)	**13,161**	13,994

Corporation tax is calculated at 30% of the estimated assessable profit for the year. Based on future legislation of the Government in the United Kingdom the corporation tax will be calculated at 28% of assessable profit from 1 April 2008. This has resulted in an increase to the closing deferred tax balances in the UK of £49,000.

From 1 January 2008 the Corporate Tax rate in Germany reduced to 30% from 40%. This has resulted in a £635,000 reduction in the deferred tax asset recognised in respect of losses carried forward.

c) Tax losses
Deferred tax assets of £6.5 million (2006: £5.5 million) have been recognised in respect of losses carried forward. In addition, at 31 December 2007, there were unused tax losses across the Group of £169.6 million (2006: £153.1 million) for which no deferred tax asset has been recognised. Of these losses, £116.5 million (2006: £107.6 million) arise in Germany, albeit a significant proportion have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

d) Deferred tax
Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Deferred income tax liabilities				
Accelerated capital allowances	**860**	1,198	**(338)**	(141)
Effect of changes in tax rate	**(80)**	–	**(80)**	–
Revaluations of foreign exchange contracts to fair value	**–**	51	**(51)**	51
Arising on acquisition	**1,095**	–	**(144)**	–
Gross deferred income tax liabilities	**1,875**	1,249		
Deferred income tax assets				
Relief on share option gains	**475**	178	**(297)**	(178)
Timing differences	**767**	460	**(307)**	(506)
Effect of changes in tax rate	**(31)**	–	**31**	–
Revaluations of foreign exchange contracts to fair value	**72**	–	**(72)**	–
Losses available for offset against future taxable income	**4,654**	5,528	**1,130**	–
Fair value adjustments on acquisition	**2,253**	–	**141**	–
Gross deferred income tax assets	**8,190**	6,166		
Deferred income tax charge			**13**	(774)
Net deferred income tax asset	**6,315**	4,917		

At 31 December 2007, there was no recognised or unrecognised deferred income tax liability (2006: £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.

Notes to the consolidated financial statements continued

10 Earnings per ordinary share

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

Diluted earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (excluding own shares held) adjusted for the effect of dilutive options.

Adjusted basic and adjusted diluted EPS are presented to provide more comparable and representative information. Accordingly the adjusted basic and adjusted diluted EPS figures exclude amortisation of acquired intangibles and exceptional items.

	2007 £'000	2006 £'000
Profit attributable to equity holders of the parent	28,888	18,927
Amortisation of acquired intangibles	613	46
Tax on amortisation of acquired intangibles	(184)	(14)
Exceptional items attributable to equity holders of the parent	–	5,031
Before amortisation of acquired intangibles and exceptional items	29,317	23,990

	2007 000's	2006 000's
Basic weighted average number of shares (excluding own shares held)	156,117	172,312
Effect of dilution:		
Share options	2,202	1,232
Diluted weighted average number of shares	158,319	173,544

	2007 pence	2006 pence
Basic earnings per share	18.5	11.0
Diluted earnings per share	18.2	10.9
Adjusted basic earnings per share	18.8	13.9
Adjusted diluted earnings per share	18.5	13.8

Subsequent to the reporting date the Company has repurchased a further 3,537,600 of its own shares for cancellation. Further details are given in note 31.

11 Dividends paid and proposed

	2007 £'000	2006 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2006: 5.0p (2005: 5.2p)	7,872	9,405
Interim for 2007: 2.5p (2006: 2.5p)	3,934	3,921
	11,806	13,326

Proposed for approval at AGM (not recognised as a liability as at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2007: 5.5p (2006: 5.0p)	7,997	7,856

12 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
Cost				
At 1 January 2006	**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**
Additions	–	826	55,562	56,388
Acquisition of subsidiary undertakings	–	–	1,684	1,684
Disposals	–	(288)	(6,407)	(6,695)
Foreign currency adjustment	75	1,245	1,417	2,737
At 31 December 2007	**67,217**	**10,830**	**132,542**	**210,589**
Depreciation and impairment				
At 1 January 2006	**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**
Provided during the year	2,706	1,847	22,577	27,130
Disposals	–	(278)	(5,891)	(6,619)
Foreign currency adjustment	3	905	675	1,583
At 31 December 2007	**20,964**	**5,247**	**67,934**	**94,145**
Net book value				
At 31 December 2007	**46,253**	**5,583**	**64,608**	**116,444**
At 31 December 2006	48,887	6,274	29,713	84,874
At 1 January 2006	50,754	7,499	23,348	81,601

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	
	2007 £'000	2006 £'000
Cost		
At 1 January	**14,134**	978
Additions	**47,768**	13,381
Disposals	**(79)**	(225)
At 31 December	**61,823**	14,134
Depreciation and impairment		
At 1 January	**1,837**	377
Charge for year	**13,547**	1,561
Disposals	**(49)**	(101)
At 31 December	**15,335**	1,837
Net book value	**46,488**	12,297

Notes to the consolidated financial statements continued

13 Intangible assets

	Goodwill £'000	Software £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 January 2006	**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**
Additions	–	5,619	–	5,619
Acquisition of subsidiary undertakings	27,057	69	6,055	33,181
Disposals	–	(226)	–	(226)
Foreign currency adjustment	–	504	–	504
At 31 December 2007	**31,812**	**18,057**	**6,327**	**56,196**
Amortisation and impairment				
At 1 January 2006	**–**	**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**
Charged during the year	–	2,934	613	3,547
Disposals	–	(225)	–	(225)
Impairment loss	–	86	–	86
Foreign currency adjustment	–	430	–	430
At 31 December 2007	**–**	**10,352**	**659**	**11,011**
Net book value				
At 31 December 2007	**31,812**	**7,705**	**5,668**	**45,185**
At 31 December 2006	4,755	4,964	226	9,945
At 1 January 2006	4,755	4,738	–	9,493

Other intangible assets relate to customer contracts and brands as acquired as part of the acquisition of Digica and Allnet during the year. Further details are given in note 27.

14 Impairment testing of goodwill

	Total £'000
Cost and carrying amount of goodwill	
At 1 January 2007	**4,755**
Additions	**27,057**
At 31 December 2007	**31,812**

Goodwill brought forward

Goodwill brought forward on 1 January 2007 of £3,920,000 has been allocated to the Computacenter (UK) Limited cash-generating unit and £835,000 has been allocated to the RD Trading Limited cash-generating unit for impairment testing.

Computacenter UK and RDC cash-generating units

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 three year period and on long-term market growth rates of 2.5% thereafter.

14 Impairment testing of goodwill continued

Key assumptions used in the value-in-use calculation for both Computacenter (UK) Limited and RD Trading Limited for 31 December 2007 and 31 December 2006 are:

- budgeted revenue, which is based on long-run market growth forecasts.
- budgeted gross margins, which are based on average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends.
- the discount rate applied to cash flow projections is 12.0% (2006: 12.0%).

The Computacenter UK and RDC cash-generating units generate profits substantially in excess of the carrying value of goodwill attributed to them. Management therefore believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Goodwill additions

Goodwill additions arise in the year principally from the acquisitions of Allnet and Digica.

Goodwill of £2,884,000 relating to the acquisition of Allnet has been allocated to the Computacenter UK cash-generating unit, which is the lowest level of cash-generating unit that can be reliably and separately identified.

Digica cash-generating unit

Goodwill of £24,169,000 relating to the acquisition of Digica has been allocated to the Digica cash-generating unit. The recoverable amount has been based upon the financial budgets approved by senior management covering a three year period, and on long-term market growth rates of 2.5% thereafter.

Key assumptions used in the value in use calculation for Digica for 31 December 2007 are:

- budgeted revenue, which is based on market share and long-run market growth forecasts;
- budgeted gross margins, which are based on average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends; and
- the discount rate applied to cash flow projections is 12.0%.

The business has performed at a level which exceeds the anticipated value-in-use at acquisition, due to the nature of the business and there is visibility of performance for the foreseeable period. As a result, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

After the balance sheet date, due to a reorganisation of reporting structure, Digica has become more integrated within the operations of Computacenter's core UK business. As a result, it is expected that going forward the cash flows will not be reliably and separately identifiable and that the goodwill relating to this acquisition will be tested for impairment against the Computacenter (UK) cash-generating unit.

No impairment provision on goodwill has been required at either 31 December 2007 or at 31 December 2006.

15 Investments

a) investment in subsidiaries

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held 2007	2006
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%
Computacenter USA	USA	IT Infrastructure services	**100%***	100%
Computacenter Services (Iberia) SLU	Spain	International Call Centre Services	**100%***	100%
Digica Group Holdings Limited	England	IT infrastructure and application services	**100%***	–
Allnet Limited	England	In-premises cabling services	**100%***	–

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

Computacenter plc is the ultimate parent entity of the Group.

Notes to the consolidated financial statements continued

16 Inventories

	2007 £'000	2006 £'000
Inventories for re-sale	**110,535**	94,586

17 Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	**453,244**	426,113
Other debtors	**911**	1,206
	454,155	427,319

For terms and conditions relating to related party receivables, refer to note 30.

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

The movements in the provision for impairment of receivables were as follows:

	2007 £'000	2006 £'000
At 1 January	**12,148**	11,478
Charge for the year	**8,846**	8,999
Utilised	**(5,295)**	(4,609)
Unused amounts reversed	**(4,604)**	(3,653)
Foreign currency adjustment	**423**	(67)
At 31 December	**11,518**	12,148

As at 31 December, the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total £'000	Neither past due nor impaired £'000	< 30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2007	**453,244**	**295,314**	**94,576**	**36,080**	**13,685**	**4,333**	**9,256**
2006	426,113	271,127	103,756	32,156	8,598	4,778	5,698

18 Cash and short-term deposits

	2007 £'000	2006 £'000
Cash at bank and in hand	**19,211**	17,882
Short-term deposits	**10,000**	60,000
	29,211	77,882

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 £29,211,000 (2006: £77,882,000).

18 Cash and short-term deposits continued

At 31 December 2007, the Group had available £148.1 million (2006: £132.9 million) of uncommitted overdraft and factoring facilities.

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

	2007 £'000	2006 £'000
Cash at bank and in hand	**19,211**	17,882
Short-term deposits	**10,000**	60,000
Bank overdrafts (note 20)	**(21,945)**	(18,900)
	7,266	58,982

19 Trade and other payables

	2007 £'000	2006 £'000
Trade payables	**211,491**	195,173
Other payables	**125,480**	120,673
	336,971	315,846

Terms and conditions of the above financial liabilities:

For terms and conditions relating to related parties, refer to note 30.

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

	2007 £'000	2006 £'000
Current		
Bank overdrafts	**21,945**	18,900
Other loans	**11,571**	4,443
Factor financing	**23,453**	29,549
Current obligations under finance leases (note 21)	**17,394**	2,844
	74,363	55,736
Non-current		
Other loans	**4,404**	2,803
Non-current obligations under finance leases (note 21)	**30,248**	8,559
	34,652	11,362

Bank overdrafts

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

Finance leases

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

Notes to the consolidated financial statements continued

20 Financial liabilities continued

Other loans

The other loans are unsecured borrowings to finance equipment sold to customers on specific contracts.

Other loans comprise the following:

	2007 £'000	2006 £'000
£1,221,615 interest free loan 2007	–	338
£429,145 fixed rate (7.35%) loan 2007	–	324
£2,000,000 interest free loan 2007	–	2,000
£1,358,724 fixed rate (2.48%) loan 2008	368	719
£2,634,625 fixed rate (5.11%) loan 2008	1,001	1,911
£1,132,534 fixed rate (5.09%) loan 2008	421	821
£2,441,280 interest free loan 2008	732	732
£1,229,096 fixed rate (2.76%) loan 2009	255	401
£1,888,772 fixed rate (5.63%) loan 2008	482	–
£658,622 fixed rate (6.15%) loan 2008	659	–
£1,231,445 fixed rate (6.11%) loan 2009	534	–
£1,563,668 fixed rate (5.78%) loan 2009	1,564	–
£1,563,668 fixed rate (5.78%) loan 2009	1,075	–
£327,380 fixed rate (5.79%) loan 2009	133	–
£950,300 fixed rate (5.72%) loan 2009	950	–
£2,137,152 fixed rate (7.95%) loan 2009	2,137	–
£1,699,838 fixed rate (5.97%) loan 2009	1,700	–
£2,125,127 fixed rate (5.96%) loan 2009	2,125	–
£774,232 fixed rate (9.36%) loan 2009	774	–
£917,183 fixed rate (6.38%) loan 2010	505	–
£722,658 fixed rate (7.84%) loan 2011	560	–
	15,975	7,246
Less: current instalments due on other loans	11,571	4,443
	4,404	2,803

The table below summarises the maturity profile of these loans:

	2007 £'000	2006 £'000
Not later than one year	11,571	4,443
After one year but not more than five years	4,404	2,803
	15,975	7,246

The finance lease and loan facilities providing customer-specific financing are committed.

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:

	2007		2006	
	Minimum payments £'000	Present value of payments £'000	Minimum payments £'000	Present value of payments £'000
Within one year	19,382	17,394	3,501	2,844
After one year but not more than five years	33,856	30,248	10,593	8,559
	53,238	47,642	14,094	11,403

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:

	2007 £'000	2006 £'000
Not later than one year	36,945	36,324
After one year but not more than five years	48,648	49,159
More than five years	18,209	24,005
	103,802	109,488

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. These leases have remaining terms of between one and five years.

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

	2007 £'000	2006 £'000
Not later than one year	26,064	8,541
After one year but not more than five years	27,752	12,723
	53,816	21,264

The amounts receivable are directly related to the finance lease obligations detailed in note 21a.

Notes to the consolidated financial statements continued

22 Provisions

	Property provisions £'000
At 1 January 2007	14,971
Arising during the year	1,315
Utilised	(1,901)
Unused amounts reversed	(387)
Movement in discount rate	(165)
Exchange adjustment	572
At 31 December 2007	**14,405**
Current 2007	2,180
Non-current 2007	12,225
	14,405
Current 2006	2,132
Non-current 2006	12,839
	14,971

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 one year and nine 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 16 to 19.

Credit risk
The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are continually monitored thereafter.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents.

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

23 Financial instruments continued

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
Year ended 31 December 2007								
Fixed rate								
Cash and short term deposits	Sterling	10,000	–	–	–	–	–	10,000
Other loans	Sterling	(10,839)	(4,024)	(218)	(162)	–	–	(15,243)
Finance leases	Sterling/Euro	(17,151)	(13,180)	(11,864)	(4,343)	(861)	–	(47,399)
Floating rate								
Cash and short term deposits	Sterling	15,789	–	–	–	–	–	15,789
Cash and short term deposits	Dollar	941	–	–	–	–	–	941
Cash and short term deposits	Euro	847	–	–	–	–	–	847
		17,577	–	–	–	–	–	17,577
Forward currency contracts	Euro/Dollar	(369)	–	–	–	–	–	(369)
Bank overdraft	Euro	(21,945)	–	–	–	–	–	(21,945)
Factor financing	Euro	(23,453)	–	–	–	–	–	(23,453)
Property provisions	Sterling/Euro	(2,180)	(1,994)	(1,862)	(1,681)	(1,525)	(5,163)	(14,405)
Interest free								
Cash and short term deposits	Dollar	87	–	–	–	–	–	87
Cash and short term deposits	Euro	1,547	–	–	–	–	–	1,547
		1,634	–	–	–	–	–	1,634
Other loans	Sterling	(732)	–	–	–	–	–	(732)
Finance leases	Sterling	(243)	–	–	–	–	–	(243)
Other non-current liabilities	Sterling	–	(1,685)	–	–	–	–	(1,685)

	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
Year ended 31 December 2006								
Fixed rate								
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)
Floating rate								
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)
Interest free								
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)	(732)	–	–	–	–	(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

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.

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 with the Group's financial statements equates to their carrying amount.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before tax £'000
2007		
Sterling	+25	64
Euro	+25	(111)
2006		
Sterling	+25	189
Euro	+25	(120)

Forward currency contracts

At 31 December 2007, the Group held seventeen foreign exchange contracts (2006: five) 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 2007

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK					
	Euros	Sterling	€20,932,304	Jan 08–Jan 09	1.360–1.423
	Dollars	Sterling	$813,000	Feb 08	2.004–2.004
Germany					
	Dollars	Euros	$15,600,000	Jan 08	1.438–1.471

31 December 2006

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

Exchange rate sensitivity

The majority of the transactions in each of the Group's geographical segments are denominated in the functional currency of that segment. There are, however, a limited number of transactions where foreign currency exchange risk exists. In these instances the Group enters into a small number of forward currency contracts, as shown in the above table, in order to eliminate such risk. At the end of the year the fair value of the outstanding contracts was a liability of £369,000 (2006: asset of £111,000). Reasonably foreseeable movements in the exchange rates of +10% or –10% would not have a material impact on the Group's profit before tax or equity.

23 Financial instruments continued

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted payments:

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	**Total £'000**
Year ended 31 December 2007					
Financial liabilities	22,066	9,812	21,191	38,031	**91,100**
Forward currency contracts	–	358	–	11	**369**
Trade and other payables	–	249,647	–	–	**249,647**
	22,066	259,817	21,191	38,042	**341,116**

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	Total £'000
Year ended 31 December 2006					
Financial liabilities	18,900	1,218	5,815	12,156	38,090
Forward currency contracts	–	(57)	–	(54)	(111)
Trade and other payables	–	234,044	–	–	234,044
	18,900	235,205	5,815	12,102	272,023

24 Capital management

Computacenter's approach to capital management is to ensure that the Group has strong capital base to support the development of the business and to maintain a strong credit rating, whilst aiming to maximise shareholder value.

In line with this approach the Group has re-purchased share capital where it has been enhancing to earnings per share. As a result, in July 2006 a share consolidation accompanied a £74.4 million return of capital to shareholders and, during 2007, the Group has continued to repurchase shares to a value of £2.4 million. In addition, after the balance sheet date the Group entered into a closed period share repurchase contract of £8.0 million.

Consistent with the Group's aim to maximise returns to shareholders, the dividend policy is to maintain a relatively low level of cover of between 2–2.5 times. In 2007 the cover was 2.4 times (2006: 2.0 times, on a pre-exceptional basis).

Capital is allocated across the Group in order to minimise the Group's exposure to exchange rates, which principally results in borrowing in France and Germany with a small value of cash on deposit in the UK.

In certain circumstances, the Group enters into customer contracts that are financed by leases, which are secured only on the assets that they finance, or loans. Whilst the outstanding amounts of this 'customer-specific financing' are included within net funds for statutory reporting purposes, the Group excludes this 'customer-specific financing' when managing the net funds of the business, as this outstanding financing is matched by committed future revenues. These financing facilities, which are committed, are thus outside of the normal working capital requirements of the Group's product resale and services activities.

The Group calculates its gearing ratio using total equity for the capital base, and net funds prior to customer-specific financing as the debt position. The gearing ratio is shown in the table below, however the Group does not currently have a specific target that it monitors its gearing ratio against.

	£'000	£'000
Total equity	278,196	265,129
Net (debt)/funds before customer financing	(16,187)	29,433
Borrowings	(15,975)	(7,246)
Finance leases	(47,642)	(11,403)
Net (debt)/funds	(79,804)	10,784
Adjusted gearing (net (debt)/funds before customer financing as a % of equity)	(5.8)%	11.1%
Gearing (net (debt)/funds as a % of equity)	(28.7)%	4.1%

Notes to the consolidated financial statements continued

24 Capital management continued

The net funds (before customer financing) reduced by £41.5 million during the year, principally due to the acquisitions of Digica and Allnet (totalling £32.6 million) and to the growth in working capital resulting from the growth in the product business in the UK and Germany.

Customer-specific financing has increased due to the increased demand for capacity on demand service models, principally in the UK.

The Group's capital base is primarily utilised to finance its fixed assets and working capital requirements. Each operating country manages working capital in line with Group policies. The key components of working capital, i.e. trade receivables, inventory and trade payables, are managed in accordance with agreed number of days targeted in the budget process, in order to ensure efficient capital usage. The working capital days calculations are shown in the Finance Director's report.

An important element of the process of managing capital efficiently is to ensure that each operating country rewards behaviour at an Account Manager and Account Director level to minimise working capital, at a transactional level. This is achieved by increasing commission payments for early payment by customers and reduced commission payments for late payment by customers, which encourages appropriate behaviour.

In addition, where appropriate, business units are individually charged cost of capital to ensure efficient capital management.

25 Authorised and issued capital and reserves

Authorised	**2007 £'000**	2006 £'000
Ordinary shares of 6p each	**25,000**	25,000
B shares of 39p each	**75,000**	75,000
	100,000	100,000

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
At 1 January 2006	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	–	–
At 31 December 2006	–	159,514	–	9,571
Issued during the year for cash on exercise of share options	–	309	–	18
Purchase of own shares for cancellation	–	(1,424)	–	(85)
At 31 December 2007	**–**	**158,399**	**–**	**9,504**

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

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 26).

25 Authorised and issued capital and reserves continued

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

Capital redemption reserve
The capital redemption reserve is used to maintain the Company's capital following the purchase and cancellation of its own shares. During the year the Company repurchased 1,424,000 of its own shares for cancellation.

Own shares held
Own shares held comprise the following:

i) Computacenter Employee Share Ownership Plan
Shares in the parent undertaking comprise 5,424,799 (2006: 1,189,201) 6p ordinary shares of Computacenter plc purchased by the Computacenter Employee Share Ownership Plan ('the Plan'). The number of shares held represents 3.4% 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 dependent 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 5,424,799 shares that it owns which are all unallocated shares.

ii) Computacenter Qualifying Employee Share Trust ('the QUEST')
The total shares held are 743,708 (2006: 761,548), which represents 0.5% of the Company's issued share capital. All of these shares will continue to be held by the Quest until such time as the Sharesave options granted against them are exercised. The market value of these shares at 31 December 2007 was £1,408,000. 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 52,835 new 6p 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 (2006: 381,534), all of which are unallocated shares. Dividends are waived in respect of unallocated shares.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

26 Share based payments

Executive share option scheme
During the year, options were exercised with respect to 230,900 6p ordinary shares at a nominal value of £13,854 (2006: £7,380) and at an aggregate premium of £457,726 (2006: £213,420). Prior to the Capital Reorganisation during 2006, options in respect of 506,200 5p ordinary shares, at a nominal value of £25,310 and an aggregate premium of £665,540, were exercised. The total nominal value of options exercised during 2006 was £32,690 and the total aggregate premium was £878,960.

Under the Computacenter Employee Share Option Scheme 1998, the Computacenter Employee Share Option Scheme 2007 and the Computacenter Services Group Executive Share Scheme, options in respect of 926,183 shares lapsed and options over 670,400 shares were granted.

Notes to the consolidated financial statements continued

26 Share based payments continued

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

Date of grant	Exercisable between	Exercise price	2007 Number outstanding	2006 Number outstanding
31/07/1997	31/07/200 – 30/07/2007	160.00p	–	129,900
16/03/1998	16/03/2001 – 15/03/2008	300.00p	**210,000**	286,500
01/04/1999	01/04/2002 – 31/03/2009	565.00p	**50,620**	61,240
05/05/1999	05/05/2002 – 04/05/2009	565.00p	**117,335**	141,758
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	**222,000**	371,474
27/09/2000	27/09/2004 – 26/09/2010	380.00p	–	33,333
27/09/2000	27/09/2005 – 26/09/2010	380.00p	–	33,333
20/03/2001	20/03/2004 – 19/03/2011	333.50p	**150,000**	150,000
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	**50,000**	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	**225,816**	352,316
10/04/2002	10/04/2005 – 09/04/2012	331.00p	**45,000**	45,000
21/03/2003	21/03/2006 – 20/03/2013	266.50p	**403,000**	564,000
02/04/2004	02/04/2007 – 01/04/2014	424.00p	**361,000**	523,000
24/10/2006	24/10/2009 – 23/10/2016	250.00p	**2,619,600**	2,819,600
17/04/2007	17/04/2010 – 16/04/2017	285.00p	**630,400**	–
23/10/2007	23/10/2010 – 22/10/2017	204.00p	**40,000**	–
			5,588,495	6,075,178

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 nil options lapsed. No options were granted during the course of the year.

At 31 December 2007 the number of shares under outstanding options were as follows:

Date of grant	Exercisable between	Exercise price	2007 Number outstanding	2006 Number outstanding
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
			1,197,546	1,197,546

26 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.

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Executive share option scheme				
Outstanding at the beginning of the year[1]	**6,075,178**	**£2.99**	6,598,899	£3.30
Granted during the year	**670,400**	**£2.80**	2,819,600	£2.50
Forfeited during the year	**(926,183)**	**£3.38**	(2,714,121)	£3.61
Exercised during the year	**(230,900)**	**£2.04**[2]	(629,200)	£1.45[3]
Outstanding at the end of the year	**5,588,495**	**£2.94**	6,075,178	£2.99
Exercisable at the end of the year	**2,298,495**	**£3.49**	2,732,578	£3.26

Notes
1 Included within this balance are options over 1,534,495 (2006: 2,169,000) 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 £2.60.
3 The weighted average share price at the date of exercise for the options exercised is £3.00.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2007 is 6.8 years (2006: 7.0 years).

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Computacenter performance related share option scheme				
Outstanding at the beginning of the year[1]	**1,197,546**	**£3.17**	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**	1,197,546	£3.17
Exercisable at the end of the year	**1,197,546**	**£3.17**	280,666	£3.22

Notes
1 Included within this balance are options over 281,000 (2006: 281,000) 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 2007 is 5.2 years (2006: 6.2 years).

Computacenter LTIP Performance Share Plan

Under the Computacenter LTIP Performance Share Plan, shares granted will be subject to certain performance conditions as described in the Directors' Remuneration Report.

During the year 1,140,160 shares were awarded, 64,402 were exercised and 79,619 lapsed.

At 31 December 2007 the number of shares outstanding was as follows:

Date of grant	Maturity date	Share price at date of grant	2007 Number outstanding	2006 Number outstanding
12/04/2006	01/04/2009	245.00p	**1,263,298**	1,392,858
10/05/2006	01/04/2008	254.00p	**125,340**	125,340
10/05/2006	01/04/2009	254.00p	**11,805**	15,740
17/04/2007	01/04/2009	285.25p	**103,539**	–
17/04/2007	01/04/2010	285.25p	**1,026,095**	–
			2,530,077	1,533,938

Notes to the consolidated financial statements continued

26 Share based payments continued

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 2007, options over 26,217 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 2007 is £40,000 and is recognised as an expense in the income statement for the period (2006: £9,000).

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

Date of Grant	Exercisable between	Share price	2007 Number outstanding	2006 Number outstanding
January–2001	01/02/2006 – 31/07/2006	350.00p	–	11,549
October–2001	01/12/2006 – 31/05/2007	185.00p	–	125,038
October–2002	01/12/2007 – 31/05/2008	220.00p	**345,617**	374,430
October–2002	01/12/2007 – 31/05/2008	225.00p	**30,518**	30,518
October–2003	01/12/2006 – 31/05/2007	395.00p	–	264,312
October–2003	01/12/2008 – 31/05/2009	395.00p	**122,054**	136,986
October–2003	01/12/2008 – 31/05/2009	417.00p	**9,165**	9,165
October–2004	01/12/2007 – 31/05/2008	335.00p	**191,684**	226,246
October–2004	01/12/2008 – 31/05/2009	316.00p	**11,260**	11,260
October–2004	01/12/2009 – 31/05/2010	335.00p	**89,401**	107,478
October–2005	01/12/2008 – 31/05/2009	222.00p	**523,858**	671,916
October–2005	01/12/2010 – 31/05/2011	222.00p	**131,797**	183,717
October–2006	01/12/2009 – 31/05/2010	254.00p	**239,784**	295,275
October–2006	01/12/2011 – 31/05/2012	254.00p	**103,764**	121,779
October–2007	01/12/2010 – 31/05/2011	178.00p	**1,672,046**	–
October–2007	01/12/2012 – 31/05/2013	178.00p	**694,032**	–
			4,164,980	2,569,669

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

	2007 No.	2007 WAEP	2006 No.	2006 WAEP
Sharesave scheme				
Outstanding at the beginning of the year[1]	2,569,669	£2.69	3,309,941	£2.58
Granted during the year	2,459,268	£1.78	417,054	£2.54
Forfeited during the year	(767,065)	£2.90	(685,190)	£2.59
Exercised during the year	(96,892)	£1.89[2]	(472,136)	£1.99[3]
Outstanding at the end of the year	4,164,980	£2.13	2,569,669	£2.69
Exercisable at the end of the year	567,819	£2.59	400,899	£3.28

Notes

1 Included within this balance are options over 376,135 (2006: 542,000) 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 £2.75.

3 The weighted average share price at the date of exercise for the options exercised is £2.72.

26 Share based payments continued

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 2007 and 31 December 2006:

Share options granted to key executives

Nature of the arrangement	Grant of share options	Grant of share options	Grant of share options	Grant of share options	Grant of share options
Date of grant	23/10/2007	17/04/2007	17/04/2007	24/10/2006	24/10/2006
Number of instruments granted	40,000	480,400	150,000	1,119,600	1,700,000
Exercise price	£2.04	£2.85	£2.85	£2.50	£2.50
Share price at date of grant	£1.98	£2.85	£2.85	£2.50	£2.50
Contractual life (years)	10	10	10	10	10
Vesting conditions	Three year service period	Three years of service and growth in EPS of RPI plus 5%	Three year service period	Three years of service and growth in EPS of RPI plus 5%	Three year service period
Expected volatility	37.70%	37.36%	37.36%	38.40%	38.40%
Expected option life at grant date (years)	4.5	4.5	4.5	4.5	4.5
Risk-free interest rate	4.91%	5.24%	5.24%	4.85%	4.85%
Dividend yield	3.54%	2.63%	2.63%	3.00%	3.00%
Fair value per granted instrument determined at grant date	£0.54	£0.89	£0.89	£0.75	£0.75

Sharesave scheme

Nature of the arrangement	SAYE scheme	SAYE scheme	SAYE scheme	SAYE scheme
Date of grant	30/10/2006	30/10/2006	30/10/2007	30/10/2007
Number of instruments granted	295,721	121,779	1,672,046	694,032
Exercise price	£2.54	£2.54	£1.78	£1.78
Share price at date of grant	£2.55	£2.55	£2.00	£2.00
Contractual life (years)	3	5	3	5
Vesting conditions	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
Expected volatility	38.40%	38.40%	37.7%	37.7%
Expected option life at grant date (years)	3.00	5.00	3.00	5.00
Risk-free interest rate	4.75%	4.75%	4.85%	4.85%
Dividend yield	2.94%	2.94%	3.75%	3.75%
Fair value per granted instrument determined at grant date	£0.66	£0.80	£0.56	£0.64

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.

Notes to the consolidated financial statements continued

27 Business combinations

Acquisition of Digica Group

On 4 January 2007, the Group acquired 100% of the voting shares of Digica Group Holdings Ltd ('Digica') for a consideration of £15,835,000, in addition to which the Group settled the assumed debt of £11,426,000. The costs of acquisition amounted to £631,000. Digica is a private company, based principally in England, which specialises in IT infrastructure and application services. Outside of the UK, Digica operates an IT Help Desk facility in Cape Town, South Africa. The acquisition has been accounted for using the purchase method of accounting. The consolidated financial statements include the results of Digica for the twelve month period from the acquisition date.

The book and fair values of the net assets at date of acquisition were as follows:

	Book value £'000	Fair value to Group £'000
Intangible assets		
Comprising:		
Purchased goodwill	9,784	–
Existing customer contracts	–	1,282
Existing customer relationships	–	2,275
Trademark	–	1,513
Tools and technology	–	576
Software	40	40
Total intangible assets	9,824	5,686
Property, plant and equipment	1,216	1,083
Deferred tax assets	–	2,000
Inventories	2,561	1,995
Trade and other receivables	2,271	2,271
Prepayments	1,801	1,801
Cash	84	84
Trade payables	(2,893)	(2,893)
Other payables	(2,252)	(2,502)
Deferred income	(4,562)	(4,562)
Deferred tax liabilities	–	(1,240)
Net assets	8,050	3,723
Goodwill arising on acquisition		24,169
		27,892
Discharged by:		
Consideration		27,261
Costs associated with the acquisition, settled in cash		631
		27,892

From the date of acquisition, Digica has made a profit after tax of £406,000 on revenues of £25,649,000.

Included in the £24,169,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

27 Business combinations continued

Acquisition of Cable & Wireless (Allnet) Ltd

On 3 April 2007, the Group acquired 100% of the voting shares of Cable & Wireless (Allnet) Ltd ('Allnet') for an initial consideration of £9,265,000 plus acquisition costs of £201,000. The purchase price shall be subsequently increased in the event that specific earnings targets are met in the period April 2007 to March 2010. Allnet is a private company based in England which provides in-premises cabling services. The acquisition has been accounted for using the purchase method of accounting. The consolidated financial statements include the results of Allnet for the nine month period from the acquisition date.

The book and fair values of the net assets at date of acquisition were as follows:

	Book value £'000	Fair value to Group £'000
Intangible assets		
Comprising:		
Trademark	–	409
Software	29	29
Total intangible assets	29	438
Property, plant and equipment	658	601
Deferred tax assets	–	393
Inventories	1,675	364
Trade receivables	9,499	9,499
Prepayments	1,284	1,284
Cash	4,674	4,674
Trade payables	(5,829)	(5,829)
Other payables	(764)	(764)
Deferred income	(3,078)	(3,078)
Net assets	8,148	7,582
Goodwill arising on acquisition		2,884
		10,466
Discharged by:		
Cash		9,265
Contingent consideration		1,000
Costs associated with the acquisition, settled in cash		201
		10,466

From the date of acquisition, Allnet has contributed £32,738,000 to the Group's revenue and £738,000 to the Group's profit after tax.

If the acquisition had taken place at the beginning of the year, Group revenues for the year would have been £2,398,131,000 and profit after tax would have been £28,993,000.

Included in the £2,844,000 of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

28 Capital commitments

At 31 December 2007 and 31 December 2006, all future contracted Group capital expenditure had been provided for.

29 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.

Notes to the consolidated financial statements continued

30 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 £587,000 (2006: £618,000). Both PJ Ogden and PW Hulme are Directors of and have a material interest in Biomni Limited.

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 37 for details of compensation given to the Group's key management personnel. There are no other key management personnel.

31 Post balance sheet event

On 10 January 2008 the Company entered into an agreement with its stockbrokers, Credit Suisse, to purchase during the Close Period, its own ordinary shares to a maximum of four million shares with a maximum value of £8,000,000. A further 3,537,600 shares had been purchased for cancellation between the reporting date and 10 March 2008 for a value of £6,054,000.