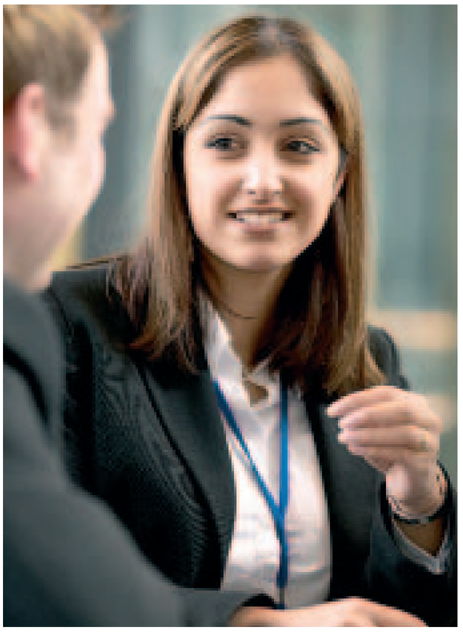
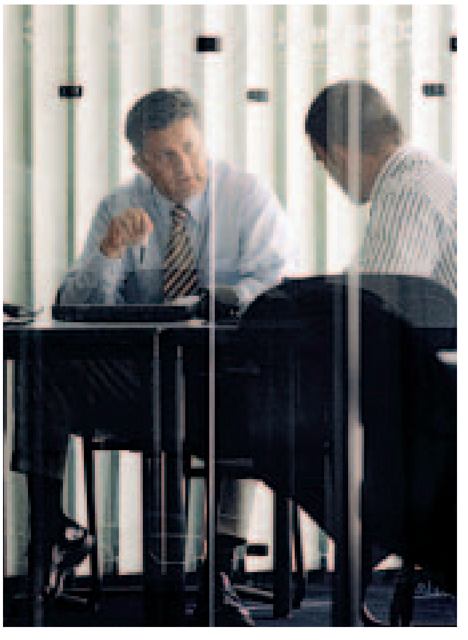
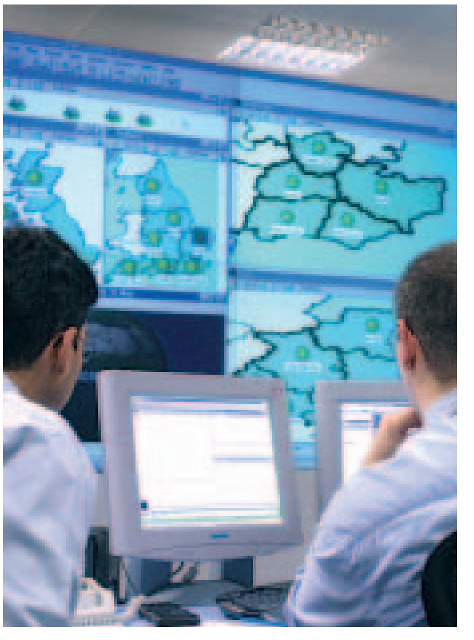
Computacenter plc Annual Report and Accounts 2003







Employees at the headquarters of our German operations in Kerpen.

In 2003 profit before tax increased 18.3% as Computacenter made further progress in growing its contracted services business, controlling costs and extending its market leadership. The integration of the German business acquired in January 2003 has proceeded to plan.

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Group operations

Computacenter is Europe's leading independent provider of IT infrastructure services. To help our customers maximise the value of IT to their businesses, we offer services at every stage of infrastructure deployment.

Our corporate and government clients are served by a network of branch offices across the UK, Germany, France, Austria, Luxembourg and Belgium, and through our international partners at locations throughout the world.

Computacenter's European regions

1 United Kingdom

Revenue: £1,455.3 million

Number of employees: 4,679

Aberdeen, Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Gatwick, Hatfield, Leeds, Liverpool, London, Maidenhead, Manchester, Milton Keynes, Reading, Watford

2 Germany

Revenue: £635.1 million

Number of employees: 3,501

Berlin, Cologne, Essen, Frankfurt, Hamburg, Hanover, Kerpen, Kiel, Leipzig, Ludwigshafen, Munich, Nürnberg, Stuttgart

3 France

Revenue: £324.5 million

Number of employees: 1,223

Bordeaux, Dijon, Grenoble, Lille, Lyon, Marseille, Nantes, Nice, Orléans, Paris, Pau, Rennes, Rouen, Strasbourg, Toulouse

4 Austria

Revenue: £49.0 million

Number of employees: 213

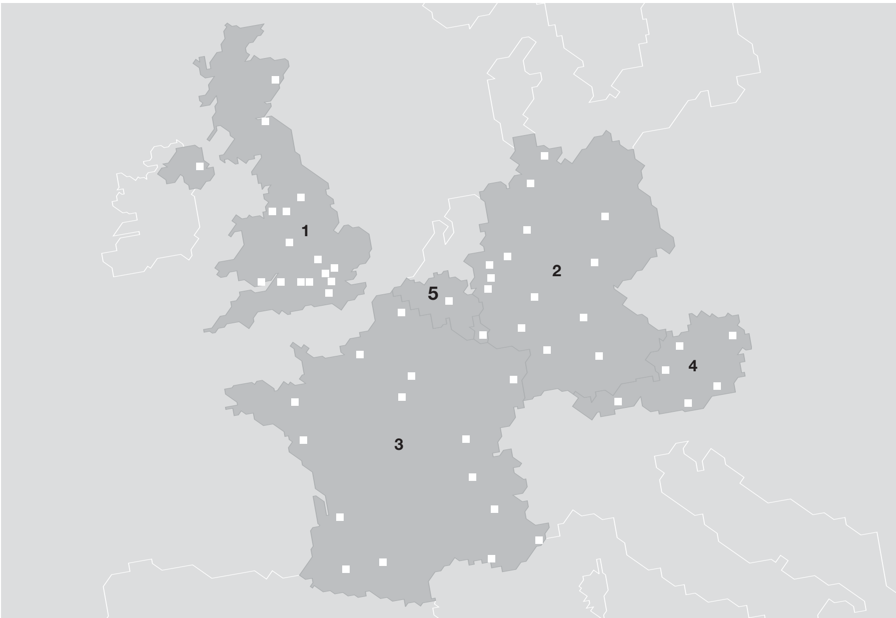
Graz, Innsbruck, Klagenfurt, Linz, Salzburg, Vienna

5 Belgium and Luxembourg

Revenue: £17.3 million

Number of employees: 100

Brussels, Luxembourg



Highlights 2003

	2003 £million	2002 £million
Group revenue	£2,481.3	£1,926.7
Group operating profit[1]	£65.9	£56.2
Profit before tax	£65.2	£55.1
Earnings per share	25.0p	20.4p
Year-end Group employee numbers	9,716	6,022

1 Excluding results of associated undertakings and joint ventures.

Business activity

Computacenter advises customers on their IT strategy, implements appropriate technologies and manages elements of their IT infrastructures on their behalf. At every stage we aim to help customers minimise the cost and maximise the value of their IT.

Managed Services
Our Managed Services allow IT departments to free up their time by outsourcing specific areas of infrastructure management to Computacenter. By shouldering this responsibility, we can provide our customers with improved service levels and reduce their ongoing operational costs. We also give them access to additional specialist skills that can be scaled upwards or downwards according to their changing business requirements.

Infrastructure Integration
Computacenter helps IT departments implement and integrate new technologies into their infrastructures through its considerable technical and project management skills. Our application of best practice means new solutions can be implemented at lower cost, in less time and with greater certainty.

Technology Sourcing
Computacenter serves as a single source for an organisation's entire IT procurement needs. Our vendor independence means we can leverage our economies of scale, streamlined logistics capability and strategic relationships to source technology that meets customer requirements and provides best value.

Chairman's statement

"Our key priorities in 2003 were the further development of our services activities and the integration of CC CompuNet in Germany. We made good progress with both."

I am pleased to report an excellent set of results for Computacenter in 2003. Profit before tax rose 18.3% to £65.2 million (2002: £55.1 million). Earnings per share increased by 22.5% to 25.0p (2002: 20.4p). The Group continued to generate cash from operations, and the balance sheet remained strong, with net funds at the year-end of £49.9 million (2002: £83.4 million).

These results are particularly satisfying when viewed against the background of an unprecedented price decline in the IT industry in Europe, driven largely by the fall in the US dollar against both sterling and the euro. Over the course of the year, the price of desktops, laptops and 'Wintel' servers in our three core markets all declined in the order of 15% to 25% in local currency. Computacenter buys and sells product in local currencies and therefore has no material foreign exchange exposures arising from operations. Nevertheless, the falling prices inevitably affected our revenues and product margins, although this was partly mitigated by growth in our product volumes. In 2003, excluding the revenues of the German and Austrian businesses acquired during the course of the year, Group revenues fell 6.7% to £1.80 billion (2002: £1.93 billion). Group revenues, including acquisitions rose 28.8% to £2.48 billion.

I am pleased to recommend a final dividend of 5.0p per share, bringing the total dividend for the year to 7.0p (2002: 5.8p), an increase of 20.7%. This is consistent with our policy, announced last year, of maintaining a dividend cover of broadly 3.5 times. The final dividend will be paid on 1 June 2004 to shareholders on the register as at 7 May 2004.

Computacenter's strategy in recent years has been to build a strong services business to complement its product logistics offering and to expand its presence in the major European markets. Consistent with these goals, our key priorities in 2003 were the further development of our services activities and the integration of CC CompuNet in Germany. We made good progress with both.

In the UK, Managed Services revenues grew by 10.9%, making a significant financial contribution. Of particular note was the five-year Managed Services contract awarded to Computacenter by Abbey, through which we will provide a company-wide end-to-end desktop service at all Abbey's offices and branches. During the year, we continued to invest heavily in developing the skills and technologies to maintain ourselves at the forefront of desktop outsourcing.

The German acquisition represents a major step forward for the Group. In addition to its strong product logistics business, CC CompuNet has a significant services element in its portfolio, which supports our objective of building

Ron Sandler
Chairman

contracted revenue streams. Following the acquisition, an extensive integration programme has been pursued to align CC CompuNet's operations with those of Computacenter UK and adopt best practice across the Group.

This has gone according to plan and has established firm foundations for future profit growth. In 2003, CC CompuNet produced an operating profit of £8.7 million. An ancillary benefit of this integration programme is that it has led us to create a pan-European management structure for Computacenter, which will enhance the Group's ability to contribute to the management of the French operations.

Computacenter France performed poorly in a difficult market, with an operating loss of £2.7 million (2002: profit of £2.4 million) after the release of negative goodwill. However, determined efforts began in the second half of the year to transfer best practice to France from the UK and to improve the cost efficiency of the French business. Considerable savings have already been achieved. Although much remains to be done to bring the profit margin of Computacenter France to an acceptable level, an intensive turn-around programme is underway and I am confident that this will yield positive results.

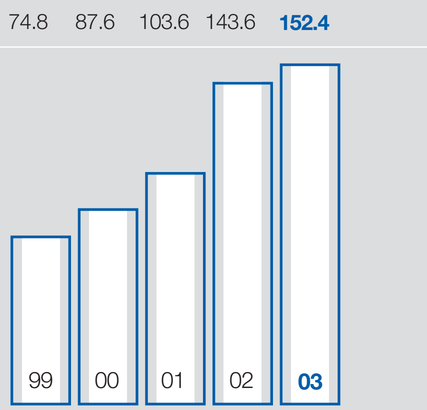
It is appropriate that the increasingly international nature of our business is reflected in the composition of the Computacenter Board, and I am delighted with the appointment of Ghislain Lescuyer as a Non-Executive Director. Ghislain, who joined the Board on 19 January 2004, brings a wealth of experience in managing European technology businesses and we will benefit greatly from his skills and background.

The improvement in our product volumes in 2003, although clearly stimulated by the large price declines, provides some evidence that our markets are beginning to recover from the downturn of recent years. The growing demand for XP roll-outs that we experienced as the year progressed is a further encouraging sign. Whilst much depends upon the pace and sustainability of the broader economic recovery in Europe, there are grounds for optimism that market conditions may now improve. Computacenter is well positioned to take advantage of any such improvement.

As always, the credit for the Group's performance belongs to the staff. The pleasing results in 2003 are attributable to the skills, enthusiasm and commitment of our employees, to whom I offer my wholehearted thanks.

Ron Sandler
Chairman

UK Managed Services contract base, year-end 1999 to 2003 £million



"Our customers continue to look to us to reduce their costs, improve service levels and free up their own resources by outsourcing discrete IT infrastructure services."

UK

Our customers continue to look to us to reduce their costs, improve service levels and free up their own resources by outsourcing discrete IT infrastructure services. As a result, in 2003 we saw a further increase in service revenues and a growth of 9.2% in our UK contract base. Our continuing focus on reducing our own cost base achieved a 9.1% reduction in the sales, general and administration (SG&A) expenses of Computacenter's UK business.

We were awarded two major Managed Services contracts, by Abbey and HBOS plc, in the first half of the year. Under the terms of the former contract, valued at £70 million over five years and covering all of Abbey's 28,000 employees, Computacenter has responsibility for the design, implementation and management of Abbey's entire desktop infrastructure. At HBOS, the scope of Computacenter's existing Managed Services contract, announced in 2002, has been extended and we now manage 38,000 desktop PCs, approximately half of the HBOS estate, under a three-year agreement. Together, these two contracts entail the transfer of some 300 staff to Computacenter under TUPE regulations, during H2 2003 and H1 2004.

Government successes included a six-year Managed Services agreement with North Yorkshire County Council for managing the council's IT infrastructure, other than its communications equipment, and providing services such as systems installation and maintenance. We secured a five-year contract with the Charity Commission for England and Wales, for whom we are deploying a new Windows XP-based infrastructure, integrated data network and IP telephony service. We also won a contract to provide a disaster recovery solution and managed data back-up services for the Department for Transport.

We saw a significant increase in Windows XP deployments in 2003, driving growth in product volumes and fuelling demand for our broad range of Infrastructure Integration Services. Major projects included the implementation of a standardised IT infrastructure for Places for People, and a fully supported in-room entertainment and business services system for London's Dorchester Hotel. We also project managed the testing of 135 application systems for Marks and Spencer plc.

The UK market for IT expenditure remained generally subdued, although demand from the public sector remained strong and there was a substantial improvement in the telecommunications market. Elsewhere, and particularly in financial services, corporate customers maintained their cautious approach. Whilst product volumes were satisfactory throughout the year, Computacenter's product revenues in the UK fell by 11.3%. This was largely due to a substantial price decline, driven by the weakness of the US dollar, of approximately 20% on desktop and laptop computers.

Mike Norris
Chief Executive

"We were awarded a major Managed Services contract by Abbey, valued at £70 million over five years and covering all of Abbey's 28,000 employees."

The server product market was generally more buoyant, as organisations focused on consolidating their legacy IT infrastructures by replacing large numbers of network servers with fewer, but more powerful central computers. As a consequence we saw increased sales of high-end servers, with revenues from the sale of Sun Microsystems computers increasing by 12.8%.

We won a significant Technology Sourcing contract to provide technology and services to the UK's Ministry of Defence via the Defence Communications Services Agency Catalogue. This will be our third major catalogue procurement contract, following the similar agreements we have with the Inland Revenue and the Office of Government Commerce.

Our distribution business, comprising CCD and Metrologie, outperformed its sector and grew revenue by approximately 14.9% on the previous year, maintaining a close relationship with HP, its principal product partner.

RDC, our re-cycling and remarketing arm, saw its profits rise for the fifth consecutive year since its acquisition by Computacenter in 1999.

We were delighted to receive the specialist award for Excellence in Sourcing and Procurement at the 2003 European Supply Chain Excellence Awards, organised by Logistics Europe and Cap Gemini Ernst & Young. The award recognised the quality of our end-to-end approach to purchasing and expertise in areas such as performance measurement, sourcing and supplier management.

We remain fully committed to meeting standards for quality, the environment and equality of opportunity. During 2003 we achieved UK certification to international environmental standard ISO14001 and the international quality standard ISO 9001:2000, both by the British Standards Institute. In the area of race relations, we renewed our partnership agreement with the Commission for Racial Equality.

Germany

In 2003 CC CompuNet performed well in a difficult market. Operating profit grew to £8.7 million, despite a revenue decline of 10.9% to £635.2 million. Reductions in SG&A costs helped profitability and, as in the UK, we were able to grow our Managed Services business.

Following the acquisition of CC CompuNet in early January 2003, an extensive integration programme was initiated. This focused upon sharing best practice across the Group and leveraging central resources to improve the scope, quality and cost-effectiveness of CC CompuNet's offerings.

This programme led to the creation of a new services enablement function, to allow transfer of best practice in the Managed Services area, and the introduction of a new sales and management structure, similar to that in the UK. We also made significant investments in new stock

Service Operations Centre, Hatfield
Our Service Operations Centre allows us to monitor remotely and, where necessary, resolve our customers' IT systems problems before they affect end-users.

management and warehouse systems and launched our e-commerce system, Computacenter Connect, in Germany.

We are confident that these developments, together with such initiatives as the introduction of a new pay plan, customer profitability reporting and enhanced financial management systems, establish a solid basis for future profit growth.

CC CompuNet worked with other Computacenter companies to secure a four-year international Managed Services contract with Deutsche Börse AG, Frankfurt, servicing their employees across Germany, Luxembourg and the UK. Other successes included a contract for a Linux migration awarded by the Deutscher Bundestag (the lower house of the German parliament). Noteworthy new Technology Sourcing contracts included Wüstenrot & Württembergische, and Aachener und Münchener Versicherungsgruppe.

France
Difficult market conditions led to a disappointing performance from Computacenter France, which made an operating loss of £2.7 million on revenues of £324.5 million. The cost base of the French business remains too high, partly due to the challenges of integrating the GECITS acquisition in 2002. Additionally, utilisation of Professional Services staff in France was particularly low in the first half and this contributed significantly to the poor financial performance.

Measures to address these issues, including steps to increase Professional Services utilisation and reduce SG&A expenses, led to an improvement in underlying performance in the second half of the year. Computacenter France also embarked upon a maintenance re-engineering initiative modelled on a similar project completed successfully in the UK. The pan-European management structure, established following the CC CompuNet acquisition, is proving to be of particular benefit in addressing the turn-around of Computacenter France, which remains a high priority for the Group.

Costs of £3.1 million relating to measures aimed at improving French performance are included in the operating result for the year. These measures, together with other initiatives currently underway, give us confidence that a strong foundation is being built to return Computacenter France to profitability.

Despite the weak market, Computacenter France continued to attract significant new customers. These included La Poste, RATP, Paris City Hall and the General Council of Paris, for whom we will supply desktops, laptops and networking technology. Our French business was also successful in winning important contract extensions with customers, including UNEDIC Assurance Chômage, Conseil Régional de Haute Normandie and Gendarmerie Nationale. Computacenter France also designed, installed, integrated and supported the IT infrastructure for the G8 summit in Evian.

With the aim of growing its government business, Computacenter France acquired AB Microconseil, a small IT reseller specialising in that sector. The acquisition involved the transfer of some 30 employees and brought several new accounts including the General Councils of Hauts de Seine, Seine Saint-Denis and Seine et Marne.

Other businesses

Austria
On January 2, 2003 we acquired GECITS Austria, subsequently renamed Computacenter Austria. Despite showing improved performance over the figures reported by GECITS for the second half of 2002, performance of this business has been disappointing, with an operating loss of £1.5 million for the year on revenues of £49.0 million. However some significant new business was won during the year, including a contract for the hardware maintenance of the entire desktop estate of BAWAG-PSK, a leading Austrian bank, and a systems roll-out for PricewaterhouseCoopers Austria.

Belgium and Luxembourg
Our business in Belgium and Luxembourg ('BeLux') saw 37.2% revenue growth during 2003, primarily from increased product sales in new customer accounts. Results improved significantly, showing an 89.9% reduction in operating loss to £0.4 million, with the strongest contribution

International Support Centre, Kerpen
The International Support Centre provides a range of Managed Services, such as help desk support, to international customers. All technical analysts are required to speak a minimum of two languages and coverage is 24x7.

"CC CompuNet worked with other Computacenter companies to secure a four-year international Managed Services contract with Deutsche Börse AG, Frankfurt, servicing their employees across Germany, Luxembourg and the UK."

coming from existing Managed Services contracts. Revenues in the year were £17.3 million.

During 2003 our 'BeLux' operation opened a new Luxembourg office in the city's financial district. Major wins included technology sourcing for companies such as Clerical Medical Investment Group (part of HBOS), Pioneer Europe and Reynaers International. We also won a two-year extension to our SWIFT desktop outsourcing contract and delivered major technology refresh projects for the BP/Solvay joint venture company and Owens Corning.

Biomni

Computacenter's share of Biomni's operating losses reduced again in 2003 to £0.3 million (2002: £1.3 million).

Group

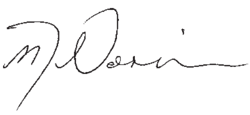
Across the Group, we maintained our focus on programmes designed to reduce our cost base and to leverage our resources more effectively.

Following the German and Austrian acquisitions, we introduced a pan-European management structure and made further progress in the closer integration of our European businesses. This facilitates the transfer of expertise and best practice across the Group, to enable the delivery of ever more competitive service to our customers. This structure also allows us to work more closely with major vendors who are operating, or intending to operate, pan-European supply arrangements.

Associated with this approach, we have also begun to deploy tools and processes across the Group. These include Computacenter Connect, our e-commerce system, and the implementation of a Group-wide HR information system. We are also in the process of making our integrated Services Management Tool Suite (SMTS), which we use to track and manage customer support requests, available across the Group.

In July our former ICG (International Computer Group) partner network became an extension of Computacenter International, the internal division responsible for supporting customer operations across multiple countries. The former ICG partners will remain independent, but will be the preferred partners of Computacenter in international business. The move is designed to give Computacenter greater control of international service delivery and to give our partners greater access to our expertise and tools.

I am very pleased with overall Group performance in 2003. The increasingly international character of Computacenter placed fresh demands upon the management team, to whom I offer my thanks for their admirable response. We will continue to take advantage of the many opportunities we see in our markets whilst maintaining a rigorous control over our cost base.



Mike Norris
Chief Executive Officer

Consultants' meeting, Kerpen
Computacenter's consultants are skilled in a wide range of disciplines, including data centre server technology, thin client computing, storage solutions, network infrastructures, security, enterprise management and messaging/directory services.

Finance Director's review

Turnover
Revenues for the year of £2.48 billion were 28.8% ahead of 2002. However, excluding the impact of acquisitions, revenues of £1.80 billion were down by 6.7%. Across the Group, and including the acquired businesses, product revenues reduced by over 15% from the previous year, despite unit volume growth in all countries. Service revenues increased by over 3%. The decline in product revenues is attributable to unprecedented price reductions in the industry, with average desktop and laptop prices across the Group falling by approximately 20%, principally because of the decline of the dollar against the euro and sterling.

Overall Group revenues in the second half of 2003 were broadly similar to those in the first six months.

Operating profit
Including acquisitions, Group operating profit increased by 17.4%, from £56.2 million to £65.9 million. Excluding acquisitions, the increase was 4.5%, from £56.2 million to £58.7 million.

The three principal drivers for profit growth were the increased revenue from higher-margin contracted services, our continuing success in reducing overhead costs and the profit contribution from the acquired German business. These factors more than offset the impact of the reduced product revenues and the poor performance in France.

We have increased the level of disclosure in our turnover and segmental analysis to include gross profit, which enables a year-on-year comparison of sales, general and administrative (SG&A) costs.

- In the UK, gross profit reduced by only 4.3%, despite an 8.9% decline in revenues. This reflects an improvement in gross margin percentage from 12.3% to 12.9%. SG&A cost reductions of 9.1% were achieved, and as a result, operating profit increased by 7.3%. Managed Services revenue growth was encouraging, at 10.9%, particularly as some recently won contracts did not generate revenue until later in the year and others will only do so in 2004. Other service revenues fell by approximately 16%, which reflects a fall in demand for large-scale implementation projects and the outsourcing of our training business.

- The operating profit contribution from the German business, at £8.7 million, was encouragingly ahead of our expectations. Revenues were disappointing, showing an overall reduction of 18.9% over 2002 in local currency, although service revenues increased by 3.3%. Gross margins in Germany at 14.3% were higher than in the UK, reflecting the greater proportion of overall revenues (over 32%) derived from services. SG&A costs reduced by over 13% in local currency.

- In France the overall performance was disappointing. Although revenues in sterling terms increased by 2.4%, local currency revenues declined by 6.9%, which includes the contribution of two small businesses acquired in the first half. Service revenues declined more rapidly than product revenues but despite this, overall gross margin percentages remained fairly stable. Operating profit of £2.4 million in 2002 declined to an operating loss of £2.7 million in 2003, including the release of negative goodwill of approximately £4 million in each year. The negative goodwill arose on the acquisition of GECITS France in February 2002 and was primarily intended to assist in the financing and development of the acquired business. In local currency, SG&A costs increased by 8.3%, which was mainly due to expenditures associated with restructuring initiatives. We expect these initiatives to lead to a significant SG&A cost reduction and substantial improvement in overall profit performance in 2004.

- The performance in Austria was poor, with revenues in local currency reducing by almost 25% from the previous year. Austrian market conditions were particularly challenging in the large corporate and government sectors, which are the prime focus of our business there. SG&A costs in local currency reduced by 7.2%. The outlook for Computacenter Austria is more positive following indications of a likely improvement in market conditions.

- Revenues in the 'Belux' region increased by 37.2% in sterling terms (24.7% in local currency). This is an encouraging performance and demonstrates market share gain, particularly in the product business. The operating loss reduced from £3.9 million to £0.4 million; on a like-for-like basis, excluding written-off goodwill, the operating loss reduced from £1.0 million to £0.4 million.

Earnings per share and dividend
Earnings per share increased by 22.5% to 25.0p. On a diluted basis, the increase was 24.2% to 24.6p. It is our intention to recommend a 20.7% increase in the total dividend for the year to 7.0p per share, maintaining dividend cover in accordance with our stated policy of circa 3.5 times.

Tony Conophy
Finance Director

The dividend will be payable on 1 June 2004 to registered shareholders as at 7 May 2004.

Cash flow and working capital

	Dec 2003	Dec 2002	Change
Stock days	**28**	24	4
Debtor days	**44**	43	1
Creditor days	**37**	33	(4)

Inventory levels increased from £95.7 million to £134.1 million and inventory days increased from 24 to 28. This relates largely to some year-end purchases and does not indicate any fundamental change to the inventory cycle.

Debtor days increased from 43 to 44, principally due to a change in our approach to French invoice factoring, resulting in the Computacenter France balance sheet showing a larger proportion of debt at the end of 2003 compared to 2002. Although trade debtors in France have been factored for many years, factoring arrangements were changed during 2003. This has led to a linked presentation showing the gross debtors less the amounts advanced against those debtors.

Creditor days increased from 33 to 37, mainly due to year-end timing issues arising on purchases from HP. However on an ongoing basis, changes in HP payment terms have led to a reduction of approximately 5 creditor days.

The cash inflow from operating activities relative to operating profit was 81.2% compared to 107.9% in 2002. The main reason for the decline was the non-receipt of a net asset shortfall refund from GE IT Solutions Inc. in connection with the GE CompuNet and GECITS Austria acquisitions. This was offset by the improvement in the creditor position noted above. Overall net funds reduced from £83.4 million at the end of 2002 to £49.9 million at the end of 2003, mainly due to the acquisition payment in cash of £36.9 and the non-receipt of the GECITS net asset shortfall refund.

Acquisitions

On 2 January 2003 the Group acquired GE CompuNet in Germany and GECITS Austria for an initial payment of £38.1 million. As noted above, the first year's trading performance in Germany was encouraging, generating revenues of £635.2 million and operating profit of £8.7 million, despite a weak market.

The following table analyses the asset values acquired at the date of the acquisition.

	Book value £'000	Adjustments £'000	Provisional fair value to Group £'000
Tangible fixed assets	15,457	(4,003)	11,454
Investments	81	–	81
Stocks	34,438	(1,074)	33,364
Debtors	103,881	5,380	109,261
Creditors due within one year	(132,704)	(3,945)	(136,649)
Creditors due after one year	–	(2,690)	(2,690)
Provisions for liabilities and charges	–	(9,135)	(9,135)
Total	**21,153**	**(15,467)**	**5,686**
Discharged by:			
Fair value of net consideration			5,686
Goodwill arising on acquisition			–

The adjustments relate to the application of the Group's accounting policies, which are generally more conservative than those applied by the acquired companies, and provisions relating to the CC CompuNet properties.

Note 14 to the accounts refers to several outstanding matters in connection with this acquisition. These are:

Net asset value shortfall

The following point was noted in Computacenter's announcement of the acquisition:

"The initial consideration for the acquisition is €57 million, payable at completion. Such initial consideration is subject to subsequent downward adjustment on a euro for euro basis upon final determination of the net asset value of GECITS at completion, on a cash and debt free basis, to the extent that it is less than €95 million."

A shortfall was discovered in the audited net assets acquired when compared to the terms of the purchase agreement. PwC have been appointed as expert accounting advisers in order to determine the value to be repaid in accordance with the purchase agreement provisions. The balance sheet contains a debtor of £32.4 million in relation to this claim. The Board has reviewed the likely outcome of the expert assignment and on the basis of legal advice received is of the view that this is properly reflected in the accounts.

Contingent liability

On 15 October 2003 the vendors claimed that the Group had breached a provision of the German purchase agreement concerning an adjustment relating to tax assets, and have issued a claim for €52.2 million, plus interest, for upfront payment for the tax assets as opposed to payment as the assets are utilised. The Group rejects this claim and legal proceedings are now pending between the parties. On the basis of legal advice received, the Board is confident that this claim is without merit and will be defended accordingly. No provision for this claim has been made in the Group's accounts.

Further acquisition consideration

Under the terms of the purchase agreement it was agreed that additional consideration would be payable, dependent on the results of the businesses in 2003 and 2004. No provision has been made for further payments, based on the actual performance in 2003 and the likely performance for 2004.

Table 1: Group revenues, H1 2001 to H2 2003 £million

	Half 1	Half 2	Total
2001	1,173.6	919.8	**2,093.4**
2002	975.0	951.7	**1,926.7**
2003	1,254.7	1,226.6	**2,481.3**
% Change*	**28.7**	**28.9**	**28.8**

*2003/2002

Table 2: Group pre-exceptional pre-tax profit, H1 2001 to H2 2003 £million

	Half 1	% return	Half 2	% return	Total	% return
2001	32.6	2.8	18.5	2.0	51.1	2.4
2002	24.4	2.5	29.8	3.1	54.2	2.8
2003	32.0	2.5	33.2	2.7	65.2	2.6
% Change*	**31.1**		**11.3**		**20.2**	

*2003/2002

Taxation

The effective tax rate for the Group was 29% compared to 32.8% in 2002. The reduction is mainly attributable to the inclusion in the tax computation of gains arising on the exercise of unapproved share options during the year. This resulted in a reduction in the effective rate of 4.4%, which is partially offset by the tax on unrelieved losses in France. The main reasons for the variance from the standard UK tax rate of 30% are set out below:

	2003 £'000
Total profit before taxation	65,161
At 30%	19,548
Expenses not deductible for tax purposes	640
Relief on share option gains	(2,845)
Goodwill amortised	(919)
Impairment of goodwill	11
Accounting depreciation in excess of tax depreciation	(284)
Profits of overseas undertakings not taxable due to brought forward loss offset	(2,590)
Losses of overseas undertakings not available for relief	3,350
Current tax charge	16,911
Deferred tax	
Origination and reversal of timing differences	1,542
Prior year adjustments	449
Group deferred tax	1,991
Tax on profit on ordinary activities	18,902

Financial instruments

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

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the financial results of the Group. Our policies for managing each of these risks are set out below.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings and, in France, invoice factoring. During the year the French invoice factoring arrangements were reviewed with the aim of improving the collections process, which has resulted in the requirement to adopt a linked presentation method as shown in the Group balance sheet. The Group's bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. We will continue to monitor this position to ensure that the interest rate profile is appropriate for the Group. When long-term borrowings are utilised, the Group's policy is to maintain these borrowings at fixed rates to manage the Group's exposure to interest rate fluctuations.

Liquidity risk

The Group's policy is to ensure that we have sufficient funding and committed bank facilities in place to meet any foreseeable peak in borrowing requirements. At 31 December 2003 the Group had £72.7 million of committed bank facilities with maturities for up to one year, of which 65% were drawn down.

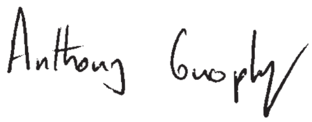
The Group's net cash position at the year-end of £49.9 million, in combination with the above facilities, our ability to access approximately £50 million of funds through sale and lease back of fixed assets, and our strong covenant provides a generous cushion for financing working capital movements.

Equity investment

The Group holds an investment in listed equity shares. The risk associated with this investment is that the market price fluctuates.

Foreign currency risk

The Group operates in the UK, Germany, France, Austria, Belgium and Luxembourg, using local borrowings to fund its operations in each of these countries, where principal receipts and payments are denominated in local currency. In each country a small proportion of the sales are made to customers outside those countries. For those countries within the Euro Zone, the level of non-euro denominated sales is very small and if material, the Group's policy is to eliminate currency exposure through forward currency contracts. For the UK, the vast majority of sales and purchases are denominated in sterling and any material trading exposures are eliminated through forward currency contracts.



Tony Conophy
Finance Director

Table 3: Revenues by country, H1 2002 to H2 2003 £million

	2003		2002	
	Half 1	**Half 2**	Half 1	Half 2
UK	**755.8**	**699.5**	828.9	768.4
France	**148.1**	**176.4**	140.1	176.7
Belux	**7.4**	**9.9**	6.0	6.6
Total Continuing Operations	**911.3**	**885.8**	975.0	951.7
Germany – acquisition	**316.0**	**319.2**	–	–
Austria – acquisition	**27.4**	**21.6**	–	–
Totals	**1,254.7**	**1,226.6**	975.0	951.7

Table 4: Operating profit, H1 2002 to H2 2003 £million

	2003				2002			
	Half 1	**% return**	**Half 2**	**% return**	Half 1	% return	Half 2	% return
UK	**31.4**	**4.2**	**30.4**	**4.3**	25.7	3.1	31.9	4.2
France	**(1.7)**	**(1.1)**	**(1.0)**	**(0.6)**	0.2	0.1	2.2	1.2
Belux	**(0.2)**	**(2.9)**	**(0.2)**	**(1.8)**	(0.5)	(8.3)	(3.3)*	(51.5)
Total Continuing Operations	**29.5**	**3.2**	**29.2**	**3.3**	25.4	2.6	30.8	3.2
Germany – acquisition	**3.2**	**1.0**	**5.5**	**1.7**	–	–	–	–
Austria – acquisition	**(0.3)**	**(1.1)**	**(1.2)**	**(5.5)**	–	–	–	–
Totals	**32.4**	**2.6**	**33.5**	**2.7**	25.4	2.6	30.8	3.2

*This includes a goodwill write-off of £2.9 million; excluding this charge the operating margin loss is 6.1%.

In partnership

The following pages illustrate how we worked closely with four of our customers in 2003 to help them reduce their costs, improve service levels, access appropriate technical skills and lessen the burden on their IT resources.

14 The Dorchester Hotel
16 ARD Hauptstadtstudio
18 Abbey Financial Products
20 Conseil Général des Bouches-du-Rhône

For more information and additional case studies, please visit our website at www.computacenter.com/casestudies

The Dorchester

Our project managers ensure complex projects are delivered according to plan with minimum disruption to the organisation. They hold a wide range of formal accreditations, including PRINCE II practitioner, ISEB and APM.

The customer

The Dorchester first opened its doors in 1931 and has been providing hotel guests with the highest standard of service and comfort ever since. The hotel is part of The Dorchester Group, and offers a range of services from hosting business events to providing spa treatments and exquisite dining.

IMPROVING CUSTOMER SERVICE

The challenge

The Dorchester needed to provide guests with easy-to-use, in-room technology, information and entertainment services. As Luke Mellors, Systems Manager at The Dorchester, explains: “Hotel guests increasingly expect access to a sophisticated entertainment system in their rooms. They also expect business services such as internet access and laptop connectivity. By providing these services we can be more competitive by specifically targeting corporate customers.” However, ensuring such services are reliable, secure and can be easily upgraded in line with business demands can present a challenge. “Far too many hotels implement the necessary technology without the infrastructure to support it.”

The solution

The NeosTV system, which can be customised and expanded as required, is supported by in-room hardware components such as PCs, plasma screens, printers and audio systems and a complex back-end network and server infrastructure. The entire solution was tested before deployment for its resilience, security and ability to scale easily to meet changing business requirements. Computacenter also provides ongoing support for the in-room and server hardware through its Service Centre, as well as managing customer billing and internet access for the system.

The benefits

Thanks to the new solution, guests at The Dorchester can now enjoy a range of entertainment and business services including films, music, internet, email, world radio, remote office applications and guest services from a single in-room solution. The Dorchester is able to use the system to create new business opportunities and actively target corporate guests, giving them competitive advantage in the luxury UK hotel market. “The satisfaction of our guests with the system has exceeded our expectations”, comments Luke.

Services provided

Technical consultancy, systems integration, project management, systems maintenance and support, technology sourcing.

ACCESS TO THE RIGHT SKILLS

ARD
HAUPTSTADTSTUDIO

CC CompuNet installed Windows Server 2003 across ARD Hauptstadtstudio's server estate, replacing the existing storage systems.

The customer

ARD Hauptstadtstudio produces political newsfeeds for the ARD network's nine national television companies and 55 radio stations. Located in the heart of Berlin, it is one of the German capital's leading centres for political journalism.

The challenge
ARD Hauptstadtstudio supplies its radio and television channels with current news. Its 170 employees are therefore reliant on a high-performance, reliable IT infrastructure. Wolfgang Zülch, IT Director at ARD Hauptstadtstudio comments, “Most of our 36 servers were becoming obsolete. Our existing operating system was Microsoft Windows NT4.0, for which Microsoft was withdrawing support. In addition, the management of the IT estate needed simplifying.” In order to ensure long-term availability and performance, the organisation decided to embark on an extensive migration and consolidation project.

The solution
Within the scope of a server/storage consolidation project, CC CompuNet installed Windows Server 2003 across ARD Hauptstadtstudio’s server estate and replaced the existing storage systems with a Storage Area Network (SAN). The 250-strong PC estate was refreshed, with all systems upgraded to Windows XP. In addition the entire network and internet access facilities were replaced and improved.

The benefits
The consolidation and migration projects took place in a business-as-usual environment at the studio. This led to a reduction in the number of servers. The studio now relies on 28 servers instead of the previous 36. In addition, the new SAN brings more flexibility, efficiency and lower costs, whilst the network migration ensures systems are highly available and stable.

Services provided
Project management, system design and integration, desktop and workstation refresh.

MORE POWER, LESS COST

Using Computacenter's Solutions Centre, Financial Products was able to validate its grid computing solution in a risk-free environment.

The customer

Abbey is one of the UK's largest banking organisations. Its Financial Products operation provides equity, fixed income and credit derivatives products on behalf of the company.

The challenge

Creating derivative-based solutions requires the processing of a huge amount of data, which presented Abbey's Financial Products operation with a considerable challenge. "We have to process very complex models, which can involve as many as 50,000 calculations per trade", comments Noel O'Mahony, Head of IT for Financial Products. "The processing overhead is extremely significant, and we needed to find a more cost-effective method than our existing approach."

The solution

By using Computacenter's Solutions Centre, Financial Products was able to validate its grid computing solution in a risk-free environment. O'Mahoney comments, "The technology needed to mirror our production system was all ready for us; all we had to do was install the application and begin our tests. Although we could have set up an internal proof-of-concept lab, this would not have been a quick or cost-effective option. Using Computacenter we were able to test the performance and integration of the solution with our IT systems, but in a non-production environment."

The benefits

Financial Products is now able to manage the distribution of processing across more than 50 servers at the company's London offices. "It's certainly given us competitive advantage. We have also hooked up some of our NT desktops to share processing power on a peer-to-peer basis, and we hope to be expanding this capability significantly in the coming months. The potential is astronomical, as by continuing to add idle processors to the cluster we gain virtually unlimited computing power."

Services provided

Technical consultancy, proof of concept, system testing, performance benchmarking.

BETTER SERVICE, LIGHTER LOAD

CONSEIL GENERAL BOUCHES-DU-RHÔNE

For CG13, we integrated the different areas of IT support into a single service team, accessed by the users through Computacenter's Service Desk.

The customer

The Conseil Général des Bouches-du-Rhône, better known as CG13, is the regional government body for an area that includes the Camargue and France's second largest city, Marseille. CG13 looks after social services, transport, the regional economy, the environment, roads, education and culture for the département's 1.8 million inhabitants.

The challenge

In line with France's policy to decentralise activities such as schooling and social services from central to departmental governments, CG13 is increasing its base of 3,700 IT users by at least 1,000 users a year. To meet the challenges of expansion and provide a higher, more measurable quality of service to its users, CG13 chose Computacenter.

The solution

Computacenter has integrated CG13's multiple IT support functions into a single service team, which users access via a Computacenter on-site Service Desk at the Hôtel du Département. From here, services can be provided remotely, or engineers booked to visit any of the département's 138 sites. By committing to service level agreements, we are able to ensure a high standard of service, working closely with CG13 to define support processes in line with ITIL-based best practice.

The benefits

As a result of the new support structure and processes, CG13 has been able to continue its expansion, it has reduced the burden on its IT staff, and the quality of end-user service continues to rise. Anne Brunel, IT Director at CG13, comments, "Computacenter's Managed Service Desk helped us increase systems availability and productivity, while freeing up our own staff to serve the needs of the expanded business."

Services provided

Service Desk, providing incident management, request management, asset management and project services through both remotely accessed and on-site services.

Board of Directors

Executive Directors

1 Ron Sandler
Executive Chairman, aged 52
Ron has a degree in engineering from Cambridge and an MBA from Stanford University. His early career was with the Boston Consulting Group, and as Chief Executive of Martin Bierbaum Group and Exco plc. He was Chief Executive of Lloyd's of London from 1995 until 1999, playing a key role in Lloyd's reconstruction, then Chief Operating Officer of NatWest Group until its acquisition by Royal Bank of Scotland. He is Chairman of Kyte Group Limited and a member of the Partnership Council of lawyers Herbert Smith. Ron joined the Board of Computacenter in May 2000 and was appointed Chairman in May 2001.

2 Mike Norris
Chief Executive, aged 42
Mike graduated with a degree in computer science and mathematics from East Anglia University in 1983. He joined Computacenter in 1984 as a salesman in the City office. In 1986 he was Computacenter's top national account manager. Following appointments as Regional Manager for London operations in 1988 and General Manager of the Systems Division in 1992 with full national sales and marketing responsibilities, he became Chief Executive in December 1994 with responsibility for all day-to-day activities and reporting channels across Computacenter.

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3 Tony Conophy
Finance Director, aged 46

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

Non-Executive Directors

4 Nick Cosh
Aged 57

Nick, a chartered accountant, has held a number of senior executive finance positions across a range of UK companies. He is currently a Non-Executive Director of Bradford & Bingley plc, Hornby plc and ICAP plc. Previous positions held include Group Finance Director of JIB Group plc and of MAI plc.

5 Philip Hulme
Aged 55

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

6 Ghislain Lescuyer
Aged 46

Ghislain has held a number of senior positions, primarily with a French focus, across a range of European IT based companies including Groupe Bull and Europeatweb (a private equity firm focusing on Internet and high technologies) and was a consultant at McKinsey & Co. He is Executive Vice President for Broadband Access Products of Thomson SA (formerly Thomson Multimedia SA).

7 Peter Ogden
Aged 56

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

8 Cliff Preddy
Aged 56

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

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1 Compliance statement

The Board remains committed to high standards of corporate governance throughout the Group and supports the principles and provisions set out in the revised version of the Combined Code of Corporate Governance. Other than where detailed in this report, the Company has throughout the financial year complied with the provisions of the current Combined Code of Corporate Governance ("the Code").

2 Board of Directors

The Board comprises eight Directors: three Executives and five Non-Executives. Three of the Non-Executive Directors, Nick Cosh, Ghislain Lescuyer and Cliff Preddy, are independent and are free from any business or other relationship which could materially interfere with the exercise of their judgement. Nick Cosh is the Senior Independent Non-Executive Director. Ghislain Lescuyer was appointed to the Board on 19 January, 2004.

The Directors' biographies appear on pages 22 to 23.

Ron Sandler, an Executive Director, is Chairman of the Board and Mike Norris is the Chief Executive. There is a clear division of responsibilities between the running of the Board and the management of the Group's day-to-day activities, with the Chairman being responsible for the former and the Chief Executive the latter. No individual has unfettered powers of decision and no one individual or small group of individuals dominates the Board's decision-making processes. The Board believes that it oversees the Group effectively and is led by the Chairman, who is responsible for setting its agenda and ensuring its effectiveness.

An appropriate balance of skills and experience is maintained through the number and calibre of the Non-Executive Directors. The Chairman facilitates the contribution of all Directors and is responsible for ensuring that constructive relations exist between them. The Board sets strategic aims for the Company and makes sure that the necessary financial and human resources are in place to achieve its objectives. It is responsible for reviewing the performance of management.

The Directors set appropriate values and standards, ensuring that obligations to shareholders and others are understood and met and that a satisfactory dialogue with shareholders takes place. A framework of prudent and effective controls exists to enable risk to be assessed and managed.

The Board is aware that Computacenter does not presently comply with provision A.3.2 of the Code, which requires that at least half the Board, excluding the Chairman, should comprise independent Non-Executive Directors. The Board continues to progress towards compliance on this matter, having appointed three new independent Non-Executive Directors since January 2002.

There were eight scheduled Board meetings during 2003 and further meetings were held as required.

The Board has a documented schedule of matters reserved to it for decision, including the approval of major capital expenditure and the agreement of strategy and budgets. All Directors have access to the services of Alan Pottinger, Company Secretary, who is responsible for ensuring that Board procedures are followed, that applicable rules and regulations are complied with, and that the Board is kept advised of all governance matters. The Chairman ensures that all Directors are properly briefed on issues considered at Board meetings and, to enable them properly to discharge their duties, all Directors receive accurate and clear information in a timely manner. This includes detailed briefings on all matters where the Board is required to make a decision or give its approval, together with regular reports on such issues as the trading performance and outlook. Specific business presentations from senior management and others are given where appropriate, thereby ensuring the Directors continually update their knowledge of and familiarity with the Group. Directors are entitled, at the Company's expense, to obtain independent professional advice where they believe it is important to the furtherance of their duties. Insurance cover is arranged in respect of legal action against the Directors.

The Chairman meets with the Non-Executive Directors without the Executives present at least once a year. The Non-Executives also meet without the Chairman to appraise his performance.

Each year (excluding those Directors retiring and not seeking re-election and those retiring following their appointment during the year), the number nearest to but not exceeding one-third of the Directors retire by rotation. In addition, all Directors must retire by rotation every three years and those Non-Executive Directors who have served for more than nine years are required to offer themselves for re-election annually.

The Board is aware of the requirement, under section A.6 of the Code, to undertake formal performance evaluations of the Board, its committees and individual Directors. Appropriate procedures for such evaluations are presently being assessed and will be introduced during 2004.

Principal Board Committees

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

Audit Committee
(Chairman: Nick Cosh)

The Audit Committee met four times during 2003. Throughout the year, Peter Ogden, a non-independent Non-Executive Director, served as a member of the Committee and as a result, its composition did not comply with provision C.3.1 of the Code. Ghislain Lescuyer was appointed to the Committee on 19 January 2004 and Peter Ogden will resign on 4 May 2004, at which time the Committee will comprise three independent Non-Executive Directors and will comply with the Code. The Chairman, Group Finance Director and the external auditor attend all meetings. The Committee assists the Board in fulfilling its responsibilities by reviewing a wide range of matters including the Group's annual and interim financial statements and accompanying reports to shareholders, the preliminary announcement of results and any other announcement regarding financial performance. In addition, it reviews and advises the Board on the scope, cost-effectiveness and result of the audit and the external auditor's independence and objectivity. The volume of non-audit services provided by the external auditor is also reviewed in advance by the Committee to ensure objectivity, independence and value for money. The Committee monitors the integrity of internal financial information controls and risk management systems. It also reviews reports presented by the Internal Audit and Risk and Insurance Departments regarding significant operational risks and controls to ensure that the latter are robust. In addition, the Committee reviews arrangements for answering staff concerns, should they arise, over improprieties, ensuring that procedures are in place for appropriate investigation and follow-up.

Nomination Committee
(Chairman: Ron Sandler)

The Committee meets as required (during 2003 it met twice) and comprises the independent Non-Executive Directors and the Chairman. Ghislain Lescuyer was appointed to the Committee on 19 January 2004. The Committee's responsibilities include leading the process for Board appointments, reviewing the Board composition, skills, knowledge and experience, and nominating candidates for both Executive and Non-Executive Directors on the basis of merit and objective criteria. It also ensures that the procedures for the appointment of new Directors are formal, rigorous and transparent and that there is an orderly succession for appointments to the Board and senior management. The Committee's Chairman is not an independent Non-Executive Director and as a result this does not comply with provision A.4.1 of the Code.

Remuneration Committee
(Chairman: Cliff Preddy)

The Remuneration Committee, which met twice during 2003, comprises the independent Non-Executive Directors. Ghislain Lescuyer was appointed to the Committee on 19 January, 2004. Prior to this appointment the Committee did not include three independent Non-Executive Directors, which is contrary to provision B.2.1 of the Code. Philip Hulme and Peter Ogden attend the Committee meetings as requested. Ron Sandler attends meetings but absents himself when his own remuneration is considered. The Committee determines the Company's general policy on executive remuneration and the specific packages for the Executive Directors. The Committee also monitors and reviews the terms and conditions of the Executive Directors' service agreements, determines the grant of share options to them and senior employees, and appoints any consultants used in assessing their remuneration. The Committee's terms of reference are regularly reviewed by the Board to ensure that its activities comply fully with the provisions of the Code and in particular that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

3 Directors' remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 28 to 31.

4 Relations with shareholders

The Executive Directors have regular contact with institutional shareholders (except during close periods) and dialogue with shareholders generally is accorded a high priority. The Chairman arranges for the Directors to receive regular reports on shareholders' views to ensure the Board develops an understanding of matters of concern to the major shareholders. Nick Cosh, as Senior Independent Non-Executive Director, is available to answer any shareholder concerns that are unable to be resolved through regular channels. In addition to mandatory information, a full and balanced explanation of the business of all general meetings is sent to shareholders. The Board welcomes the attendance of individual shareholders at general meetings and the opportunity to communicate with investors and address any questions they may have. Resolutions at the Company's general meetings have been passed on a show of hands, and proxies for and against each resolution (together with any abstentions) are announced at such meetings.

5 Accountability and audit

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

The system of internal control is designed to continuously identify, evaluate and manage significant risks faced by the Group. Key elements of the system are as follows:

Management structure

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

Control environment

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

Budgetary process

A comprehensive budgetary process is completed annually and is subject to the approval of the Board. Performance is monitored through a rigorous and detailed reporting system through which monthly results are compared to budgets. The results and explanations for variances are regularly and routinely reported to the Board. Appropriate action is taken where variances arise.

Risk management

Specialist departments monitor developments and ensure compliance with legislative and regulatory requirements. A comprehensive risk management programme is monitored and developed by the Risk Committee comprising key operational managers. Through a programme of assessment, appropriate measures and systems of control are maintained. Detailed contingency plans are in place or being developed for all key sites.

Capital expenditure and investments

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

Centralised treasury function

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

Quality and integrity of staff

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

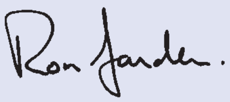
6 Board review of internal control

The Directors confirm that a sound system of internal control is maintained and that procedures were in place to identify, evaluate and manage significant risks faced by the Group throughout the year under review and up to the date of approval of the Annual Report and Accounts. These include:

- consideration of regular reports presented by the Internal Audit Department, external audit and operational management;
- regular review of financial and management reports and information;
- consideration of actions taken by management to address any issues identified;
- consideration of the results of reviews on Group risk and control.

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

The Board conducts an annual review of the effectiveness of the system of internal control including financial, operational and compliance controls and risk management systems. In addition, all major risks are reviewed by the Risk Committee and by key managers across the Group and are recorded in a risk register, which is updated regularly. Overall, the Board is satisfied that the risks identified by the system of internal control are being managed appropriately.



Ron Sandler
Chairman

Remuneration Committee and advisers

In considering levels of remuneration, the Remuneration Committee has received advice from the Group Human Resources Director, Ernst & Young and Towers Perrin. Towers Perrin also provides additional advice to the Group's management on general remuneration issues from time to time. The Committee takes into account comparative practice in both the European technology sector and FTSE mid-250 companies.

Remuneration policy

The Committee makes recommendations and determines remuneration policy on the Board's behalf. No Director is involved in deciding his own remuneration. In implementing its policy, the Committee has given full consideration to the principles of the Code with regard to Directors' remuneration, and is satisfied that it has complied with best practice provisions in this matter. In particular, the following objectives have been addressed:

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

The Board as a whole determines fees for Non-Executive Directors, which reflect the time commitment and responsibilities of their roles. The Committee is responsible for determining the appropriate policy for rewarding the Group's Executive Directors and senior management. The policy is designed to ensure that a significant proportion of the total remuneration is dependent upon performance and aligns the interests of executives and shareholders.

This is achieved through a combination of fixed and variable payments, benefits and share option plans.

Basic salary and benefits

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

Performance-related bonus scheme

Mike Norris and Tony Conophy participate in annual performance-related bonus schemes that are linked to the overall performance of the Group and the achievement of personal objectives agreed with them for the year by the Chairman, and approved by the Committee. Performance conditions are relevant, challenging and designed to enhance shareholder value. For 2003, the maximum levels of bonus were 50% of base salary and Mr Norris earned £157,700 (2002: £148,125) and Mr Conophy £91,000 (2002: £91,875).

Share options

The Executive Directors are awarded executive share options under the Company's share option schemes. The majority are subject to certain performance conditions which are challenging and reflect the Group's objectives. The details of the various performance conditions relating to grants are set out in the notes to the table of Directors' interests in share options on page 31. These conditions are designed to produce significant and sustained improvements in the Group's underlying financial performance. Should the conditions not be met, options will lapse. The actual award is dependent upon individual performance assessed against agreed personal targets and grants are normally limited to a maximum of 1.25 times of an individual's base salary. The current performance measure used is earnings per share ("EPS") on an adjusted and fully diluted basis. The basis for measurement has been developed from earlier measures of basic EPS and fully diluted EPS.

Pension

Executive Directors are entitled to participate in the Computacenter Pension Scheme, a defined contribution salary sacrifice scheme available to all employees under which a maximum annual Company contribution of £3,500 per employee is payable. The maximum Company contribution is automatically reviewed each July in line with the average increase in national earnings. The Scheme also allows employees to make additional salary sacrifices, which the Company may contribute to the Scheme on their behalf. The amounts of such salary sacrifices are shown as Company contributions in excess of the £3,500 limit in the table of Directors' remuneration. Mike Norris, Tony Conophy and Peter Ogden participate in the Scheme.

Notice periods

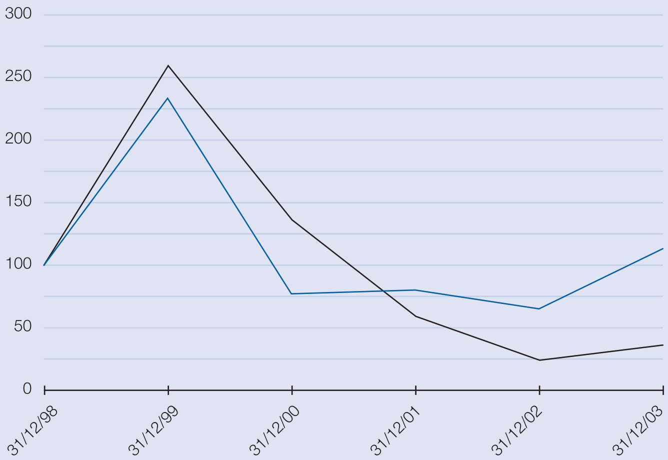
Executive Directors' employment contracts are subject to a rolling notice period of a maximum of 12 months. No contractual arrangements are in place that guarantee additional payments upon termination of employment by the Company. The Committee is satisfied that the contractual arrangements for Executive Directors comply with the Code.

Total Shareholder Return Performance

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

Computacenter's shares are quoted on the London Stock Exchange and the Committee has deemed the FTSE Software & Computer Services share index as the most appropriate comparator against which to assess total shareholder return performance.

Computacenter versus FTSE Software & Computer Services sector



Computacenter relative to FTSE Software & Computer Services sector

Key

Computacenter TSR   Sector

Both indices are rebased to 100 at 31 December 1998.

Directors' remuneration

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

	Unexpired contract term (months)	Basic salary and fees £	Performance related bonuses £	Pension contributions £	**Total 2003 £**	Total 2002 £
Executive Directors						
RA Sandler	No term specified	246,929	–	–	**246,929**	233,961
MJ Norris	No term specified	411,667	157,700	3,250	**572,617**	549,405
FA Conophy	No term specified	270,583	91,000	17,990	**379,573**	348,413
Non-Executive Directors						
NJ Cosh	13	38,750	–	–	**38,750**	34,326
PW Hulme	25	30,000	–	–	**30,000**	30,000
PJ Ogden	25	30,000	–	1,500	**31,500**	31,500
CSF Preddy	13	32,500	–	–	**32,500**	29,423
		1,060,429	248,700	22,740	**1,331,869**	1,257,028

Note: Ghislain Lescuyer was appointed a Director on 19 January 2004. The term of his appointment will be until the close of the Company's Annual General Meeting in 2007.

Interests in share options

	Exercise price (p)	Exercise dates	Note	At 1 January 2003 (or date of appointment)	Granted during the year	Exercised during the year (or since appointment)	Lapsed	At 31 December 2003
Executive Directors								
RA Sandler	333.50p	20/03/04 – 19/03/11	(1)	**150,000**	–	–	–	**150,000**
	333.50p	20/03/05 – 19/03/11	(1)	**150,000**	–	–	–	**150,000**
	333.50p	20/03/06 – 19/03/11	(1)	**200,000**	–	–	–	**200,000**
	322.00p	10/04/05 – 09/04/12	(7)	**91,226**	–	–	–	**91,226**
	266.50p	21/03/06 – 20/03/13	(9)	**–**	117,260	–	–	**117,260**
	266.50p	21/03/07 – 20/03/13	(9)	**–**	200,000	–	–	**200,000**
Total				**591,226**	317,260	–	–	**908,486**
MJ Norris	41.25p	09/04/99 – 08/04/06	(2)	**400,000**	–	400,000	–	**–**
	160.00p	31/07/00 – 30/07/07	(2)	**250,000**	–	–	–	**250,000**
	670.00p	01/09/03 – 29/02/04	(4,10)	**2,574**	–	–	–	**2,574**
	942.50p	25/04/03 – 24/04/10	(3)	**20,424**	–	–	20,424	**–**
	333.50p	20/03/04 – 19/03/11	(1,5)	**8,995**	–	–	–	**8,995**
	333.50p	20/03/04 – 19/03/11	(6)	**48,726**	–	–	–	**48,726**
	322.00p	10/04/05 – 09/04/12	(7)	**122,670**	–	–	–	**122,670**
	266.50p	21/03/06 – 20/03/13	(9)	**–**	194,652	–	–	**194,652**
	395.00p	01/12/08 – 31/05/09	(4)	**–**	4,012	–	–	**4,012**
Total				**853,389**	198,664	400,000	20,424	**631,629**
FA Conophy	670.00p	01/09/03 – 29/02/04	(4,10)	**2,574**	–	–	–	**2,574**
	942.50p	25/04/03 – 24/04/10	(3)	**12,732**	–	–	12,732	**–**
	333.50p	20/03/04 – 19/03/11	(6)	**35,982**	–	–	–	**35,982**
	322.00p	10/04/05 – 09/04/12	(1,8)	**9,316**	–	–	–	**9,316**
	322.00p	10/04/05 – 09/04/12	(7)	**66,770**	–	–	–	**66,770**
	266.50p	21/03/06 – 20/03/13	(9)	**–**	121,951	–	–	**121,951**
	395.00p	01/12/06 – 31/05/07	(4)	**–**	2,335	–	–	**2,335**
Total				**127,374**	124,286	–	12,732	**238,928**
Non-Executive Directors								
NJ Cosh				**–**	–		–	**–**
PW Hulme	25.00p	09/04/99 – 08/04/03	(2)	**1,100,000**	–	1,100,000	–	**–**
GM Lescuyer				**–**	–	–	–	**–**
PJ Ogden	25.00p	09/04/99 – 08/04/03	(2)	**1,600,000**	–	1,600,000	–	**–**
CSF Preddy				**–**	–	–	–	**–**

Interests in share options continued

1 Issued under the terms of the Computacenter Employee Share Option Scheme 1998.
2 Issued under the terms of the Computacenter Services Group plc Unapproved Executive Share Option Scheme.
3 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options exercisable from 25 April 2003 are exercisable on the condition that the average annual compound growth in the Computacenter Group's earnings per share is at least 5% above the RPI for the three-year period commencing 1 January 2000.
4 Issued under the terms of the Computacenter Sharesave Plus Scheme, which is available to all employees and full time Executive Directors of the Computacenter Group.
5 Exercisable on the condition that the average annual compound growth in the Computacenter Group's fully diluted earnings per share, compared to the base year of 2000, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2003, 2004 and 2005 respectively.
6 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average compound growth in the Computacenter Group's fully diluted earnings per share, compared to the base year of 2000, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2003, 2004 or 2005 respectively.
7 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Company's earnings per share (on a pre-exceptional post investment in the Biomni joint venture fully diluted basis) compared to the base year of 2001, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2004, 2005 or 2006 respectively.
8 Exercisable on the condition that the average annual compound growth in the Company's earnings per share (on a pre-exceptional post investment in the Biomni joint venture fully diluted basis) compared to the base year of 2001, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2004, 2005 or 2006 respectively.
9 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Company's earnings per share (on a pre-exceptional post investment in the Biomni joint venture fully diluted basis) compared to the base year of 2002, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2005, 2006 or 2007 respectively.
10 Options lapsed on 29 February 2004.
11 Gains made on exercise of options during the year by Directors were:

	Date of exercise	Last date for exercise	No. of shares	Exercise price (p)	Total exercise monies (£)	Market value at exercise (p)	Gain on exercise (£)
Director							
MJ Norris	11/04/03	08/04/06	400,000	41.25	165,000	288.5	989,000
PW Hulme	10/01/03	08/04/03	350,000	25.00	87,500	288.5	922,250
	20/03/03	08/04/03	412,762	25.00	103,191	266.5	996,820
	07/04/03	08/04/03	337,238	25.00	84,310	274.0	839,722
PJ Ogden	28/03/03	08/04/03	1,600,000	25.00	400,000	263.5	3,816,000

The market price of the ordinary shares at 31 December 2003 was 470.0p. The highest price during the year was 485.75p and the lowest was 222.5p.

AJ Pottinger
Secretary
15 March 2004

The Directors are responsible for preparing the accounts and herewith present their report and the audited accounts of the Company for the year ended 31 December 2003.

Principal activities

The Company is a holding company. The principal activities of the group of subsidiary company undertakings of which it is the parent, are the design, project management, implementation and support of information technology systems.

Review of the business

A detailed review of the Group's activities, the development of its business and an indication of future developments is included in the Chairman's statement on pages 4 and 5, the Chief Executive's review on pages 6 to 9 and the Finance Director's review on pages 10 to 12.

Results and dividends

The Group's activities resulted in a profit before tax of £65.2 million (2002: £55.1 million). The Group profit for the year available to shareholders amounted to £46.3 million (2002: £37.0 million). The Directors propose a final dividend for the year of £9.2 million (2002: £10.7 million) being payable on 1 June 2004 to those shareholders on the register as at 7 May 2004. The Company paid an interim dividend of £3.8 million on 10 October 2003.

Directors

The Directors who served during the year ended 31 December 2003 are detailed below. Brief biographical details of the Directors at the date of this Report are given on pages 22 and 23.

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

Directors' interest 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 2003		At 1 January 2003 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
Executive Directors				
RA Sandler	**75,000**	**–**	75,000	–
MJ Norris	**1,271,265**	**–**	1,571,265	–
FA Conophy	**1,762,758**	**–**	1,762,758	–
Non-Executive Directors				
NJ Cosh	**5,000**	**–**	5,000	–
PW Hulme	**26,577,295**	**12,272,707**	28,990,057	12,872,707
PJ Ogden	**42,402,764**	**1,175,000**	42,162,764	15,000
CSF Preddy	**5,000**	**–**	5,000	–

There have been no changes in the interests of the Directors in the shares of Computacenter since 31 December 2003.

Major interests in shares

In addition to the Directors' interests set out above, in so far as is notified to the Company, as at 15 March 2004 the following persons have interests in 3% or more of the existing issued ordinary share capital of the Company.

Shareholder	Number of ordinary shares	Percentage of issued ordinary capital
Aegon UK plc	6,929,429	3.67%

Authority to purchase own shares

At the 2003 Annual General Meeting a resolution was passed giving the Company authority to purchase up to 10% of its ordinary shares by market purchase. No such purchases were made during the year. A resolution to renew the authority will be proposed at the 2004 Annual General Meeting.

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.

International Accounting Standards

Computacenter plc will be required to adopt International Accounting Standards ("IAS") when preparing its Group accounts for the year ended 31 December 2005. In preparation for this, all existing IAS have been reviewed to assess their likely impact on our reported figures and to determine how the necessary data will be collected.

Progress and clarity to date have been hindered by the fact that most of the key standards have only recently been finalised. Consequently, while it has been possible to reach some high level conclusions, more time is needed for a detailed understanding of how the standards will impact our reporting and review by our auditors. We expect to agree the opening adjustments for IAS reporting before the end of 2004, enabling our first presentation of IAS figures for the 2005 interims.

Employee share schemes

The Company operates executive share option schemes and a performance-related share option scheme for the benefit of employees. During the year, options under these schemes to purchase shares of the Company have been granted to certain employees in respect of 1,908,863 ordinary shares of 5p each. At the year-end options in respect of 7,313,065 (2002: 9,768,757) ordinary shares remained outstanding under these schemes. During the year, options over 4,067,800 ordinary shares were exercised.

In addition the Company continues to operate a Sharesave scheme for the benefit of employees. At the year-end, options in respect of 4,338,478 (2002: 3,975,011) ordinary shares remained outstanding under this scheme.

Employee involvement

Computacenter is committed to the involvement of all employees in the performance and development of the Group. Regular team briefing processes exist in which employees are encouraged to discuss matters affecting day-to-day operations of the Group. Employee Consultative Forums exist in each country to consult staff on major issues affecting employment and on matters of policy. A European Forum meets when there are trans-national issues to discuss.

Employee opinion surveys are conducted every two years in the UK by an external research company to seek employees' views on a wide range of subjects. Feedback is shared and action plans developed involving employees from across the business. Examples of changes made as a result of previous surveys include the development of extensive on-line learning tools, a holiday leave purchase scheme, and the launch of a new Quality-based employee reward and recognition scheme.

Similar employee opinion surveys are planned for Germany and France.

Equal opportunities

The Group is committed to equal opportunities, monitoring and regularly reviewing policies and practices to ensure that it meets the standards it sets. No employee or potential employee receives less favourable treatment or consideration on grounds of race, national or ethnic origin, gender, age, disability, sexual orientation, or marital status. The Group is committed to make full use of the talents and resources of all its employees and to provide a healthy environment that encourages good and productive working relationships within the organisation.

Health and safety

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 and the public. This commitment is formally contained in the Health and Safety Policy Statement signed by the Chief Executive, copies of which are available upon request. The Health, Safety and Environment Department monitors and reviews all procedures and policies, utilising the advice of external consultants where necessary.

Environmental report

The Board remains committed to the improvement of the Group's environmental performance and to minimising any adverse effects that its operations may have on the environment. In support of this, the Company operates a comprehensive Environmental Management System (EMS), which achieved accreditation to the international standard ISO 14001 in 2003. The ISO Certificate was successfully retained in the UK after a BSI audit in December 2003. The Computacenter EMS covers the supply, configuration, storage, installation, recovery and disposal of information technology systems. Information on the EMS is provided to staff and the system will be monitored and reviewed by the Group Health, Safety and Environment Department and the BSI.

The significant environmental aspects identified are IT waste, packaging waste, office waste, transport and energy. Progress on environmental performance is monitored throughout the year, and costs and benefits measured.

The Board recognises that acting in a socially responsible way benefits the community, our customers and the Group alike. Copies of Computacenter's full environmental policy are available on request.

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 appropriate skills are available to meet the current and future management needs of the Group. Approximately 2.5% of the Group's salaries expense is spent each year on technical training and skill development. The Company's reward strategy is aligned to the development of a performance-related culture.

Business ethics
The Group operates an ethics policy that includes a requirement for all employees to report abuses or non-conformance with the policy ('whistle-blowing'). This policy commits Computacenter employees to the highest standards of ethical behaviour in all business and personal relationships whilst in the workplace or on Company business.

Community relations and charity activities
The Group supports community and charitable projects as part of its commitment to the concept of corporate social responsibility and encourages its employees to support such projects. Specific charities are nominated by employees to receive funds raised through local and national events, which are then matched by the Group. In 2003 the Group made charitable donations amounting to £96,362.

European monetary union
The Group has continued to monitor and consider the impact to the business of the euro. Internal systems for our businesses within the 'Euro Zone' have been modified as necessary to meet business requirements.

Statement of Directors' responsibilities in respect of the accounts
Company law requires the Directors to prepare accounts for each financial period that give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that period. In preparing these accounts, 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;
- 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. 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.

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

AJ Pottinger
Secretary
15 March 2004

Independent auditors’ report to the members of Computacenter plc

We have audited the Group’s financial statements for the year ended 31 December 2003, which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, Reconciliation of Net Cash Flow to Movement in Net Funds and the related notes 1 to 31. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors’ Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and auditors

The Directors’ responsibilities for preparing the Annual Report, the Directors’ Remuneration Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors’ Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors’ remuneration and transactions with the Group is not disclosed.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion: the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003 and of the profit of the Group for the year then ended; and the financial statements and the part of the Directors’ Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Luton
15 March 2004

Group profit and loss account

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Turnover			
Turnover: Group and share of joint venture's turnover		**2,482,713**	1,930,135
Continuing operations:			
Ongoing		**1,797,133**	1,926,737
Acquisitions		**684,162**	–
Group turnover	2	**2,481,295**	1,926,737
Operating costs	3	**(2,415,357)**	(1,870,570)
Operating profit	2		
Continuing operations:			
Ongoing		**58,712**	56,167
Acquisitions		**7,226**	–
Group operating profit	4	**65,938**	56,167
Share of operating loss in joint venture		**(333)**	(1,272)
Share of operating profit/(loss) in associates		**510**	(13)
Total operating profit: Group and share of associates and joint venture	2	**66,115**	54,882
Release of provisions relating to termination of operations	5	**–**	863
Profit on ordinary activities before interest and taxation		**66,115**	55,745
Interest receivable and similar income	7	**3,249**	7,367
Interest payable and similar charges	8	**(4,203)**	(8,031)
Profit on ordinary activities before taxation		**65,161**	55,081
Tax on profit on ordinary activities	9	**(18,902)**	(18,074)
Profit on ordinary activities after taxation		**46,259**	37,007
Minority interests – equity		**45**	25
Profit attributable to members of the parent company		**46,304**	37,032
Dividends – ordinary dividends on equity shares	10	**(13,011)**	(10,657)
Retained profit for the year		**33,293**	26,375
Earnings per share			
– Basic	11	**25.0p**	20.4p
– Diluted	11	**24.6p**	19.8p
Dividends per ordinary share	11	**7.0p**	5.8p

Group statement of total recognised gains and losses

For the year ended 31 December 2003

	2003 £'000	2002 £'000
Profit for the financial year excluding share of joint venture and associates	**46,231**	37,978
Share of joint venture's loss for the year	**(233)**	(933)
Share of associate's profit/(loss) for the year	**306**	(13)
Profit attributable to members of the parent company for the financial year	**46,304**	37,032
Exchange differences on retranslation of net assets of associated and subsidiary undertakings	**4,159**	1,238
Total recognised gains for the year	**50,463**	38,270

In addition, net assets were reduced by £2,503,000 during the year as a result of a prior year adjustment in respect of the adoption of UITF 38 – Accounting for ESOP trusts (see accounting policies).

Group balance sheet

At 31 December 2003

	Note	2003 £'000	Restated 2002 £'000
Fixed assets			
Intangible assets			
Positive goodwill	12	**4,755**	5,039
Negative goodwill	12	**(532)**	(4,793)
		4,223	246
Tangible assets	13	**100,549**	96,733
Investments	14	**11,036**	9,863
		115,808	106,842
Current assets			
Stocks	15	**134,133**	95,742
Debtors: gross		**520,701**	286,882
Less non returnable proceeds		**(78,390)**	-
Debtors	16	**442,311**	286,882
Cash at bank and in hand		**96,997**	92,072
		673,441	474,696
Creditors: amounts falling due within one year	17	**(466,816)**	(320,569)
Net current assets		**206,625**	154,127
Total assets less current liabilities		**322,433**	260,969
Creditors: amounts falling due after more than one year	18	**(13,923)**	(1,613)
Provision for joint venture deficit			
Share of gross assets		**385**	943
Share of gross liabilities		**(7,609)**	(7,834)
	21(a)	**(7,224)**	(6,891)
Provisions for liabilities and charges	21(b)	**(18,403)**	(9,696)
Total assets less liabilities		**282,883**	242,769
Capital and reserves			
Called up share capital	22	**9,441**	9,237
Share premium account	23	**71,486**	69,004
Capital redemption reserve	23	**100**	100
Investment in own shares	23	**(2,503)**	(2,503)
Profit and loss account	23	**204,244**	166,792
Shareholders' funds – equity		**282,768**	242,630
Minority interests – equity		**115**	139
		282,883	242,769

Approved by the Board on 15 March 2004

MJ Norris
Chief Executive

FA Conophy
Finance Director

Company balance sheet

At 31 December 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	12	**169,721**	–
Tangible assets	13	**36,641**	38,257
Investments	14	**182,761**	129,050
		389,123	167,307
Current assets			
Debtors	16	**90,187**	467
Cash at bank and in hand		**8**	1
		90,195	468
Creditors: amounts falling due within one year	17	**(182,108)**	(31,853)
Net current liabilities		**(91,913)**	(31,385)
Total assets less current liabilities		**297,210**	135,922
Creditors: amounts falling due after more than one year	18	**(89,704)**	–
Provisions for liabilities and charges	21(b)	**(1,538)**	(1,577)
Total assets less liabilities		**205,968**	134,345
Capital and reserves			
Called up share capital	22	**9,441**	9,237
Share premium account	23	**71,486**	69,004
Capital redemption reserve	23	**100**	100
Merger reserve	23	**55,990**	55,990
Profit and loss account		**68,951**	14
Shareholders' funds – equity		**205,968**	134,345

Approved by the Board on 15 March 2004

MJ Norris
Chief Executive

FA Conophy
Finance Director

	Note	2003 £'000	2002 £'000
Cash inflow from operating activities	24	**53,521**	60,614
Returns on investments and servicing of finance	25	**(954)**	(468)
Taxation			
Corporation tax paid		**(22,456)**	(17,485)
Capital expenditure and financial investment	25	**(14,562)**	(9,097)
Acquisitions and disposals	25	**(37,303)**	7,559
Equity dividends paid		**(14,437)**	(5,324)
Cash (outflow)/inflow before financing		**(36,191)**	35,799
Financing	25	**2,207**	(43,083)
Decrease in cash in the year		**(33,984)**	(7,284)

Reconciliation of net cash flow to movement in net funds
For the year ended 31 December 2003

	2003 £'000	2002 £'000
Net funds at 1 January 2003	**83,430**	53,287
Decrease in cash in the year	**(33,984)**	(7,284)
Cash outflow from repayment of debt and lease finance	**479**	38,787
Change in net cash resulting from cash flows	**(33,505)**	84,790
New finance leases	**–**	(1,164)
Amortisation of debt issue costs	**–**	(196)
Net funds at 31 December 2003	**49,925**	83,430

1 Accounting policies

Basis of preparation
The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the Group and Company have adopted UITF 38 'Accounting for ESOP trusts'. This abstract had no impact on the results for the period but shareholders funds have been reduced by £2,503,000 following the recognition of the ESOP trust within reserves.

Basis of consolidation
The Group financial statements consolidate the financial statements of Computacenter plc and all its subsidiary undertakings for the period drawn up to 31 December each year. No profit and loss account is presented for Computacenter plc as permitted by section 230 of the Companies Act 1985. The profit after tax for Computacenter plc was £81,948,000 (2002: £15,259,000).

Undertakings, other than subsidiary undertakings, in which the Group holds a participating interest and over which it exerts significant influence are treated as associated undertakings. The Group financial statements include the appropriate share of those undertakings' results (from the date of acquisition) and net assets based on audited financial statements of those undertakings. Undertakings that the Group jointly controls with other entities are accounted for as joint ventures. The Group financial statements include the appropriate share of those undertaking's results, and the appropriate share of the gross assets and liabilities of those undertakings.

Intangible Assets
Intangible assets acquired separately from a business are capitalised at cost. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill
Goodwill arising on acquisitions prior to 31 December 1997 was written off against reserves in the period of acquisition. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS10. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off against reserves is included in determining the profit or loss on disposal.

Goodwill arising on acquisitions since 1 January 1998 has been capitalised, classified as an intangible asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill arising on acquisitions is classified as an intangible item on the balance sheet and amortised on a straight-line basis over its estimated useful economic life.

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

Freehold buildings	50 years
Leasehold acquisition costs	period to expiry of lease
Structural improvements	shorter of 7 years & period to expiry of lease
Fixtures and fittings	
– Head office	5 – 15 years
– Other	shorter of 7 years & period to expiry of lease
Office machinery, computer hardware and software	2 – 15 years
Motor vehicles	3 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments
Fixed asset investments are shown at cost less provision for impairment.

Leases
Assets held under finance leases and hire purchase contracts that transfer substantially all the risks and rewards of ownership to the Group are treated as if they had been purchased and an amount equivalent to their fair value is included under tangible fixed assets. Depreciation is provided in accordance with the Group's normal depreciation policy. The capital element of the related rental obligations is included in creditors. Leasing and hire purchase payments are treated as consisting of capital and finance charge elements and the finance charge is included in interest payable in the profit and loss account.

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

Stocks
Stocks are valued at the lower of average cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Revenue recognition and deferred product revenue
Product revenue is recognised when receivable under a contract following delivery of a product. Maintenance revenue is recognised over the maintenance period on a straight-line basis, which approximates to the level of completion of an individual contract. The unrecognised maintenance 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.

Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

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

Pensions

The Group operates a defined contribution pension scheme available to all UK employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currencies

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

Net assets of overseas subsidiaries and associated undertakings are translated at the rate of exchange ruling at the balance sheet date. Profit and loss accounts of overseas subsidiaries are translated using average rates of exchange. Exchange differences arising from the retranslation of opening net assets and profit and loss accounts using year-end rates of exchange are taken directly to reserves.

Financial instruments

A discussion of how the Group manages its financial risks is included in the Finance Director's review on pages 10 to 12. Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. Gains or losses arising on these forward contracts are taken to the profit and loss account at maturity.

The Group has decided not to include short-term debtors and creditors within the numerical disclosures, as permitted under FRS13.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and, if not, they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying value.

Investment in own shares

Own shares are recorded at cost as a deduction from shareholders' funds.

2 Turnover and segmental analysis

The Group operates in one principal activity, that of the provision of distributed information technology and related services. Turnover represents the amounts derived from the provision of goods and services that fall within the Group's ordinary activities, stated net of VAT.

An analysis of turnover, operating profit and net assets is given below:

	2003 £'000	2002 £'000
Turnover by origin		
UK	**1,455,296**	1,597,344
France	**324,517**	316,773
Belgium & Luxembourg	**17,320**	12,620
Continuing operations	**1,797,133**	1,926,737
Germany – acquisition	**635,150**	–
Austria – acquisition	**49,012**	–
Total	**2,481,295**	1,926,737

Turnover by destination is not materially different to turnover by origin and has, therefore, not been disclosed.

2 Turnover and segmental analysis continued

	2003 £'000	2002 £'000
Gross profit		
UK	**188,369**	196,820
France	**36,059**	34,932
Belgium & Luxembourg	**1,842**	1,053
Continuing operations	**226,270**	232,805
Germany – acquisition	**90,709**	–
Austria – acquisition	**5,507**	–
Total	**322,486**	232,805

Gross profit is defined as: Turnover less decrease/(increase) in stocks of finished goods, goods for resale and consumables and less £408,475,000 (2002: £210,087,000) for those staff costs, depreciation and other amounts written off tangible and intangible assets and other operating charges that are incurred in delivering technology sourcing, managed services and infrastructure integration to the customer. Sales, general and administration (SG&A) costs are defined as the balance of staff costs, depreciation and other amounts written off tangible and intangible assets and other operating charges.

	2003 £'000	2002 £'000
Operating profit/(loss)		
UK	**61,829**	57,642
France	**(2,727)**	2,389
Belgium & Luxembourg	**(390)**	(3,864)
Continuing operations	**58,712**	56,167
Germany – acquisition	**8,728**	–
Austria – acquisition	**(1,502)**	–
Total Group excluding associates & joint venture undertakings	**65,938**	56,167
Share of operating result of associates and joint venture	**177**	(1,285)
Total operating profit	**66,115**	54,882

	2003 £'000	Restated 2002 £'000
Net assets/(liabilities) employed		
UK	**187,167**	180,843
France	**33,326**	10,400
Belgium & Luxembourg	**(6,397)**	(4,426)
Germany – existing	**(291)**	(588)
	213,805	186,229
Germany – acquisition	**21,333**	–
Austria – acquisition	**(2,690)**	–
Subtotal	**232,448**	186,229
Net assets of associated undertaking		
UK	–	46
Rest of the world	**510**	62
Net assets employed	**232,958**	186,337
Net funds	**49,925**	83,430
Net operating assets	**282,883**	269,767
Non-operating liabilities	**–**	(26,998)
Net assets	**282,883**	242,769

During the period, Computacenter France acquired the businesses of Alsace Informatique Investissement (AII) and AB Microconseil (ABM) in France. These operations have been fully integrated with those of Computacenter France and therefore it is not possible to separate the financial performance of the acquired activities.

3 Operating costs

	2003 £'000	2002 £'000
Increase in stocks of finished goods	**(5,027)**	(357)
Goods for resale and consumables	**1,755,361**	1,484,202
Staff costs (note 6)	**406,061**	227,175
Depreciation and other amounts written off tangible and intangible assets	**18,702**	16,758
Other operating charges	**240,260**	142,792
	2,415,357	1,870,570

The total figures for 2003 include the following combined amounts in relation to the acquisition of GE CompuNet and GECITS Austria: decrease in stocks of finished goods £958,000, goods for resale and consumables £420,585,000, staff costs £154,415,000, depreciation and other amounts written off tangible and intangible assets £6,112,000 and other operating charges £94,867,000.

4 Operating profit

	2003 £'000	2002 £'000
This is stated after charging:		
Auditors' remuneration – audit services – UK	**164**	147
– audit services – overseas	**226**	65
– non-audit services – UK	**121**	154
– non-audit services – overseas	**8**	16
Depreciation of owned assets	**22,188**	16,884
Depreciation of assets held under finance leases and hire purchase contracts	**477**	255
Operating lease rentals – plant & machinery	**10,049**	1,635
– land & buildings	**18,493**	10,637
Amortisation of positive goodwill	**544**	449
Impairment of listed investment	**–**	1,865
Impairment of goodwill	**46**	2,899
And after crediting:		
Amortisation of negative goodwill	**4,261**	3,728
Increase in listed investment	**292**	–
Rentals received under operating leases	**661**	260

In addition to the auditors' remuneration disclosed above, further costs of £440,000 relating to non-audit services in respect of the acquisition of GE CompuNet and GECITS Austria have been capitalised.

Non-audit services principally relate to taxation advice.

5 Exceptional items

	2003 £'000	2002 £'000
Recognised below operating profit:		
Germany		
Release of closure provision	**–**	863

6 Staff costs

	2003 £'000	2002 £'000
Wages and salaries	**337,690**	191,851
Social security costs	**59,690**	30,369
Other pension costs	**8,681**	4,955
	406,061	227,175

The Group operates a defined contribution scheme available to all UK employees.

The cost to the Group for the period to 31 December 2003 was £8,188,000 (2002: £4,730,000). There were no outstanding or prepaid contributions as at the balance sheet date.

6 Staff costs continued

The average number of persons employed by the Group, including Directors, during the year was as follows:

	Number of employees	
	2003	2002
Supply chain services	**2,125**	1,592
Managed services	**3,448**	1,898
Sales and customer services	**1,765**	1,224
Business support	**1,049**	643
Direct business	**124**	129
Professional services	**1,193**	438
Other services	**25**	50
Total	**9,729**	5,974

Details of Directors' remuneration, pension entitlements and share options are disclosed in the Directors' remuneration report on page 28.

7 Interest receivable and similar income

	2003 £'000	2002 £'000
Bank interest	**2,773**	5,802
Other interest receivable	**476**	1,565
	3,249	7,367

8 Interest payable and similar charges

	2003 £'000	2002 £'000
Bank loans and overdrafts	**3,448**	3,256
Other loans	**755**	4,775
	4,203	8,031

9 Taxation

(a) The charge based on the profit for the year comprises:

	2003 £'000	2002 £'000
UK Corporation Tax	**17,612**	20,021
Tax overprovided in previous years	**(621)**	(1,197)
	16,991	18,824
Foreign	**20**	35
Group current tax	**17,011**	18,859
Share of joint venture's tax	**(100)**	(339)
Total current tax	**16,911**	18,520
Deferred tax		
Origination and reversal of timing differences	**1,542**	(504)
Prior year adjustments	**449**	58
Group deferred tax	**1,991**	(446)
Tax on profit on ordinary activities	**18,902**	18,074

9 Taxation continued

(b) Factors affecting the current tax charge

The tax charge for the year is lower than the standard rate of Corporation Tax in the UK (30%). The principal reasons for this difference are set out below:

	2003 £'000	2002 £'000
Total profit before taxation	**65,161**	55,081
At 30%	**19,548**	16,524
Expenses not deductible for tax purposes	**640**	487
Relief on share option gains	**(2,845)**	–
Goodwill amortised	**(919)**	(984)
Impairment of goodwill	**11**	870
Accounting depreciation in excess of tax depreciation	**(284)**	(137)
Amount provided against investments	**–**	558
Profits of overseas undertakings not taxable due to brought forward loss offset	**(2,590)**	–
Losses of overseas undertakings not available for relief	**3,350**	1,202
Current tax charge	**16,911**	18,520

(c) Factors that may affect future tax charges

Based on current capital investment plans the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years.

The Group has tax losses arising from the results of overseas subsidiaries of £9,800,000. Deferred tax assets have not been recognised in full in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss making for some time or in subsidiaries where the length of time that the loss remains available is limited.

(d) Deferred tax

Group

The deferred tax included in the balance sheet is as follows:

	2003 £'000	2002 £'000
Included in debtors (note 16)	**3,314**	–
Included in provisions for liabilities and charges (note 21)	**(1,668)**	(1,743)
	1,646	(1,743)

	2003 £'000	2002 £'000
Accelerated capital allowances	**(1,804)**	(2,133)
Tax losses carried forward	**3,314**	–
Other short-term timing differences	**136**	390
	1,646	(1,743)

	£'000
At 1 January 2003	(1,743)
Acquisition of subsidiary undertaking	5,380
Deferred tax charge in Group profit and loss account:	
Current year	(1,542)
Prior year	(449)
At 31 December 2003	1,646

9 Taxation continued

(d) Deferred tax continued

Company

The deferred tax included in the balance sheet is as follows:

	2003 £'000	2002 £'000
Accelerated capital allowances	**1,538**	1,577

Provision for deferred tax (included in provisions for liabilities and charges):

	£'000
At 1 January 2003	1,577
Deferred tax credit in Group profit & loss account:	
Current year	(39)
At 31 December 2003	1,538

10 Dividends

	2003 £'000	2002 £'000
Equity dividends on ordinary shares:		
interim paid 2.0p (2002: nil)	**3,775**	–
final proposed 5.0p (2002: 5.8p)	**9,236**	10,657
	13,011	10,657

The Computacenter ESOP trust has waived the dividends payable in respect of 1,427,042 (2002: 1,427,042) ordinary shares that it owns, which are not allocated to employees. Computacenter Trustees Limited has waived dividends in respect of 457,796 (2002: 457,796) shares that it owns, which are not allocated to employees and the Computacenter Quest ('Qualifying Employee Scheme Trust') has similarly waived dividends in respect of 1,031,134 (2002: 1,102,266) shares that it owns.

11 Earnings per share

The calculation of earnings per ordinary share is based on profit attributable to members of the holding Company of £46,304,000 (2002: £37,032,000) and on 184,853,000 (2002: 181,622,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year after excluding the shares owned by the Computacenter Employee Share Trust, Computacenter Trustees Limited and the Computacenter Quest.

The diluted earnings per share is based on the same earnings figure of £46,304,000 (2002: £37,032,000) and on 188,610,000 (2001: 186,632,000) ordinary shares, calculated as the basic weighted average number of ordinary shares, plus 3,757,000 (2002: 5,010,000) dilutive share options.

12 Intangible assets

	Goodwill Positive £'000	Goodwill Negative £'000
Group		
Cost		
At 1 January 2003	**9,041**	**8,521**
Additions	306	–
At 31 December 2003	**9,347**	**8,521**
Amortisation		
At 1 January 2003	**4,002**	**3,728**
Charge/credit in the year	544	4,261
Impairment	46	–
At 31 December 2003	**4,592**	**7,989**
Net book value		
At 31 December 2003	**4,755**	**532**
At 31 December 2002	5,039	4,793

The Group has amortised its acquired positive goodwill on a straight-line basis over a period of the estimated useful economic life. In addition, the Group has reviewed the carrying value of goodwill acquired and has recognised an impairment to reduce the carrying value to a level that the Directors consider to be appropriate. The acquired negative goodwill is amortised over a period of two years. The Group will continue to review the estimated useful life of the goodwill acquired.

	Intellectual property £'000
Company	
Cost	
At 1 January 2003	–
Additions	169,737
At 31 December 2003	**169,737**
Amortisation	
At 1 January 2003	–
Charge in the year	16
At 31 December 2003	**16**
Net book value	
At 31 December 2003	**169,721**
At 31 December 2002	–

Intellectual property was purchased during the year from a subsidiary. It is being amortised over its useful life of 20 years.

13 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold property and improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
Group				
Cost				
At 1 January 2003	**60,941**	**11,221**	**95,883**	**168,045**
Additions	6,021	602	7,489	14,112
Acquisition of subsidiary undertaking	–	7,482	3,972	11,454
Disposals	–	(141)	(12,994)	(13,135)
Exchange adjustments	–	969	1,381	2,350
At 31 December 2003	**66,962**	**20,133**	**95,731**	**182,826**
Depreciation				
At 1 January 2003	**7,530**	**6,395**	**57,387**	**71,312**
Charge in the year	2,460	2,878	17,327	22,665
Disposals	–	(88)	(12,133)	(12,221)
Exchange adjustments	–	34	487	521
At 31 December 2003	**9,990**	**9,219**	**63,068**	**82,277**
Net book value				
At 31 December 2003	**56,972**	**10,914**	**32,663**	**100,549**
At 31 December 2002	53,411	4,826	38,496	96,733

	Freehold land and buildings £'000
Company	
Cost	
At 1 January 2003 and 31 December 2003	**42,350**
Depreciation	
At 1 January 2003	**4,093**
Charge in the year	1,616
At 31 December 2003	**5,709**
Net book value	
At 31 December 2003	**36,641**
At 31 December 2002	38,257

Included in the figures above are the following amounts relating to leased assets:

	Fixtures, fittings, equipment and vehicles	
	2003 £'000	2002 £'000
Group		
Cost	**1,164**	1,164
Accumulated depreciation	**(732)**	(255)
Net book value	**432**	909
Depreciation charge for the year	**477**	255

14 Investments

	2003 £'000	2002 £'000
Group		
Loan to joint venture, at cost	**7,450**	7,000
Associated undertakings (a)	**539**	108
Other listed investments (b)	**3,047**	2,755
	11,036	9,863

(a) Associated undertakings

	Share of net tangible assets £'000
At 1 January 2003	**108**
On acquisition of subsidiary	81
Share of profit of associated undertaking	510
Disposal	(63)
Transfer to subsidiary undertaking	(126)
At 31 December 2003	**510**

The Group's share of post acquisition accumulated profits of associated undertakings at 31 December 2003 is £510,000 (2002: £26,000). The Group has received £nil (2002: £710,000) from the associated undertakings for the provision of administrative services and the reimbursement of costs incurred.

ICG BV was disposed of during the year for a consideration of £130,000.

(b) Other listed investments

	£'000
Cost	
At 1 January 2003 and 31 December 2003	**4,617**
Provision	
At 1 January 2003	**1,862**
Credit in the year	292
At 31 December 2003	**1,573**
Net book value	
At 31 December 2003	**3,047**
At 31 December 2002	2,755

At 31 December 2003, the market value of listed investments was £3,047,000 (2002: £2,755,000).

14 Investments continued

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Shares in joint venture £'000	Shares in associated undertaking £'000	Other listed investments £'000	Total £'000
Company						
Cost						
At 1 January 2003	**158,157**	**2,754**	**25**	**38**	**4,617**	**165,591**
Additions	39,908	13,512	–	–	–	53,420
Increase in investment	38	–	–	(38)	–	–
At 31 December 2003	**198,103**	**16,266**	**25**	**–**	**4,617**	**219,011**
Amounts provided						
At 1 January 2003	**31,925**	**2,754**	**–**	**–**	**1,862**	**36,541**
During the year	–	–	–	–	(292)	(292)
At 31 December 2003	**31,925**	**2,754**	**–**	**–**	**1,570**	**36,249**
Net book value						
At 31 December 2003	**166,178**	**13,512**	**25**	**–**	**3,047**	**182,761**
At 31 December 2002	126,232	–	25	38	2,755	129,050

On 2 January 2003, the Group acquired GE CompuNet in Germany. This resulted in the Group's shareholding in ICG Services Ltd increasing from 35.7% to 71.4%. Since the purchase of GE CompuNet, the Group has acquired the remaining 28.6% shareholding in ICG Services Ltd.

Details of the principal investments at 31 December 2003 in which the Group or the Company holds more than 20% of the nominal value of ordinary share capital are as follows:

Subsidiary and associated undertaking	Country of registration	Nature of business	Proportion held
Computacenter (UK) Limited	England	IT infrastructure services	100%
Computacenter France SA	France	IT infrastructure services	99.4%
CC CompuNet GmbH	Germany	IT infrastructure services	100%
Computacenter Austria	Austria	IT infrastructure services	100%
Computacenter GmbH	Germany	IT infrastructure services	100%
Computacenter NV/SA	Belgium	IT infrastructure services	100%
RD Trading Limited	England	IT asset management	100%*
Computacenter NV	Luxembourg	IT infrastructure services	100%
Biomni Limited	England	Software development	50%
HelpByCom GmbH	Germany	IT infrastructure services	47.4%**
ICG Services Limited	England	International IT infrastructure services	100%***

* includes indirect holdings of 100% via Computacenter (UK) Limited.
** includes indirect holdings of 47.4% via CC CompuNet GmbH.
*** includes indirect holdings of 35.7% via CC CompuNet GmbH.

14 Investments continued

Acquisitions – Germany and Austria

On 2 January 2003, the Group acquired GE CompuNet in Germany and GECITS in Austria for an initial consideration of £38,134,000. Because the audited value of the net assets at completion was lower than stipulated in the purchase agreement, Computacenter anticipates receiving a repayment of £32,448,000 from GE Capital, the vendors, resulting in a net consideration for the acquisition of £5,686,000. Elements of this repayment calculation are disputed by GE Capital and in accordance with the purchase agreement, PricewaterhouseCoopers has been appointed, as an independent expert, to settle the matter. The Board has reviewed the likely outcome and is confident that this is properly reflected in the Group's accounts.

The assets of each of the acquired companies have been included in the Group's balance sheet at their fair values at the date of acquisition. Further consideration may be payable to the vendor, contingent on the result of the acquired businesses in 2004. No provision has been made for further payments, based on the actual performance in 2003 and the likely performance for 2004.

Contingent liability

On 15 October 2003, the vendors claimed that the Group had breached a provision of the German purchase agreement concerning an adjustment relating to tax assets, and have issued a claim for €52,165,292 (£36,762,000), plus interest, for upfront payment for the tax assets as opposed to payment as the assets are utilised. The Group rejects this claim and legal proceedings are now pending between the parties. On the basis of legal advice received, the Board is confident that this claim is without merit and will be defended accordingly. No provision for this claim has been made in the Group's accounts.

Analysis of the acquisition of GE CompuNet and GECITS Austria

Net assets at date of acquisition:

	Book value £'000	Adjustments £'000	Provisional fair value to Group £'000
Tangible fixed assets	15,457	(4,003)	11,454
Investments	81	–	81
Stocks	34,438	(1,074)	33,364
Debtors	103,881	5,380	109,261
Creditors due within one year	(132,704)	(3,945)	(136,649)
Creditors due after one year	–	(2,690)	(2,690)
Provisions for liabilities and charges	–	(9,135)	(9,135)
	21,153	(15,467)	5,686

Discharged by:	
Fair value of net consideration	5,686
Goodwill arising on acquisition	–

Adjustments relate to the adoption of Computacenter's Group accounting policies and recognition of property provisions.

GE CompuNet and GECITS Austria together accounted for an outflow of £16,426,000 to the Group's net operating cash flows, paid £638,000 in respect of net returns on investments and servicing of finance and received £238,000 in respect of taxation and utilised £2,738,000 for capital expenditure and financial investment.

There was no trading in GE CompuNet and GECITS Austria in the period between 1 January 2003 and the date of acquisition. The combined loss after tax of GE CompuNet and GECITS Austria for the year ended 31 December 2002 was £2,846,000 and the minority interest was a loss of £14,000.

Acquisitions – France

During the year the Group acquired the trade and assets of ABM and AII in France for a consideration of £448,000 and £102,000 respectively. There were no fair value adjustments to the assets and liabilities acquired. The goodwill arising on these purchases totalled £204,000 and £102,000 respectively.

15 Stocks

	Group 2003 £'000	Group 2002 £'000
Goods held for resale	**134,133**	95,742

There is no material difference between the balance sheet value of stock and its replacement cost.

16 Debtors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Trade debts factored without recourse				
– Gross debts	**108,186**	250	**–**	–
– Less non-returnable proceeds	**(78,390)**	–	**–**	–
	29,796	250	**–**	–
Other trade debtors	**325,320**	265,788	**–**	–
Amount owed by subsidiary undertaking	**–**	–	**90,000**	91
Other debtors	**35,694**	1,846	**187**	126
Prepayments and accrued income	**48,186**	18,998	**–**	250
Deferred tax	**3,315**	–	**–**	–
	442,311	286,882	**90,187**	467

Included above are deferred tax debtors falling due after more than one year of £3,315,000.

During the year the factoring arrangements within France changed. Under the terms of the new scheme certain trade debts are sold to the factor. The factor advances cash payments in relation to these debts.

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.

The interest expense in relation to this arrangement was £720,000 (2002: £nil) and the administration expenses of the scheme were £284,000 (2002: £nil).

17 Creditors: amounts falling due within one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Bank overdrafts	**46,535**	7,626	**–**	–
Obligations under finance leases and hire purchase contracts (note 19)	**211**	690	**–**	–
Trade creditors	**207,145**	155,828	**–**	–
Corporation tax	**5,801**	9,280	**484**	–
Other taxation and social security costs	**29,740**	51,978	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**170,777**	21,137
Amounts owed to associated undertakings	**–**	186	**–**	–
Accruals	**89,915**	57,308	**1,557**	–
Deferred income	**78,179**	34,910	**–**	–
Dividend payable	**9,290**	10,716	**9,290**	10,716
	466,816	328,522	**182,108**	31,853

18 Creditors: amounts falling due after more than one year

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Loans (note 20)	**326**	326	**–**	–
Deferred income	**10,907**	1,287	**89,704**	–
Other creditors	**2,690**	–	**–**	–
	13,923	1,613	**89,704**	–

19 Amounts due under finance leases and hire purchase contracts

	2003 £'000	2002 £'000
Group		
Amounts payable:		
Within one year	**211**	690

20 Loans

	Group 2003 £'000	Group 2002 £'000
Loans comprise:		
Wholly repayable within five years	**326**	326
Analysed as amounts due:		
Between two and five years	**326**	326

The loan due between two and five years comprises an amount of £326,000 relating to the Company's employee share option schemes.

21 Provisions for liabilities and charges

(a) Provision for joint venture deficit

	£'000
Group	
At 1 January 2003	**6,891**
Share of loss retained by joint venture	333
At 31 December 2003	**7,224**

(b) Other provisions

	Property provisions £'000	Deferred taxation £'000	Total £'000
Group			
At 1 January 2003	**7,953**	**1,743**	**9,696**
On acquisition of subsidiary undertaking	9,135	–	9,135
Arising in the year	299	–	299
Utilised	(652)	–	(652)
Capital allowances in advance of depreciation	–	(75)	(75)
At 31 December 2003	**16,735**	**1,668**	**18,403**

Certain amounts included within accruals at 31 December 2002 have been reclassified as vacant property provisions. Property provisions are based on the Directors' best estimates of the likely time before the relevant leases can be reassigned and range between 3 years and 13 years.

	Deferred taxation £'000
Company	
At 1 January 2003	**1,577**
Capital allowances in advance of depreciation	(39)
At 31 December 2003	**1,538**

There are no potential deferred tax liabilities at 31 December 2003 (2002: nil). Note 9 (c) details those assets that have not been provided for.

22 Share capital

	2003 £'000	2002 £'000
Authorised		
Equity		
Ordinary shares of 5p each	**25,000**	25,000

	2003 No '000	2003 £'000	2002 No '000	2002 £'000
Allotted, called up and fully paid				
Equity				
Ordinary shares of 5p each	**188,822**	**9,441**	184,752	9,237

Options

Executive Share Option Scheme

During the year, options were exercised with respect to 4,067,800 (2002: 1,131,273) 5p ordinary shares at a nominal value of £203,400 (2002: £57,000) and at an aggregate premium of £2,482,000 (2002: £494,000).

Under the executive share option schemes, the number of shares under outstanding options at the year-end comprise:

Date of grant	Exercisable between	Exercise price	2003 Number outstanding	2002 Number outstanding
01/06/1993	01/06/1996 – 31/05/2003	28.75p	–	15,000
09/04/1996	09/04/1999 – 08/04/2003	25.00p	–	2,700,000
09/04/1996	09/04/1999 – 08/04/2006	41.25p	**150,000**	802,000
31/07/1997	31/07/2000 – 30/07/2007	160.00p	**609,700**	1,007,000
16/03/1998	16/03/2001 – 15/03/2008	300.00p	**467,900**	571,400
01/04/1999	01/04/2002 – 31/03/2009	565.00p	**125,003**	141,331
05/05/1999	05/05/2002 – 04/05/2009	565.00p	**277,983**	306,255
24/08/1999	24/08/2002 – 23/08/2009	565.00p	**22,573**	22,573
24/08/1999	24/08/2003 – 23/08/2009	565.00p	**13,724**	13,724
30/06/2000	30/06/2003 – 29/06/2010	377.50p	–	92,000
30/06/2000	30/06/2004 – 29/06/2010	377.50p	–	66,000
30/06/2000	30/06/2005 – 29/06/2010	377.50p	–	40,000
27/09/2000	27/09/2003 – 26/09/2010	380.00p	**1,134,138**	1,273,471
27/09/2000	27/09/2004 – 26/09/2010	380.00p	**256,665**	289,998
27/09/2000	27/09/2005 – 26/09/2010	380.00p	**256,665**	289,998
20/03/2001	20/03/2004 – 19/03/2011	333.50p	**158,995**	158,995
20/03/2001	20/03/2005 – 19/03/2011	333.50p	**150,000**	150,000
20/03/2001	20/03/2006 – 19/03/2011	333.50p	**200,000**	200,000
19/09/2001	19/09/2004 – 18/09/2011	245.00p	**100,000**	100,000
19/09/2001	19/09/2005 – 18/09/2011	245.00p	**50,000**	50,000
19/09/2001	19/09/2006 – 18/09/2011	245.00p	**50,000**	50,000
10/04/2002	10/04/2005 – 09/04/2012	322.00p	**864,482**	864,482
10/04/2002	10/04/2005 – 09/04/2012	331.00p	**66,000**	81,000
11/10/2002	11/10/2005 – 10/10/2012	220.00p	**85,000**	85,000
21/03/2003	21/03/2006 – 20/03/2013	266.50p	**1,275,000**	–
			6,313,828	9,370,227

During the year options in respect of 263,599 shares lapsed, and new options over 1,275,000 shares were granted.

22 Share capital continued

Computacenter Performance Related Share Option Scheme

Under the Computacenter Performance Related Share Option Scheme, options granted will be subject to certain performance conditions designed to produce significant and sustained improvements in the Company's underlying performance. During the year options in respect of 633,863 shares were granted and options in respect of 33,156 shares lapsed. At 31 December 2003 the number of shares under outstanding options were as follows:

Date of grant	Exercisable between	Exercise price	**2003 Number outstanding**	2002 Number outstanding
25/04/2000	25/04/2003 – 24/04/2010	942.50p	**–**	33,156
20/03/2001	20/03/2004 – 19/03/2011	333.50p	**84,708**	84,708
10/04/2002	10/04/2005 – 09/04/2012	322.00p	**280,666**	280,666
21/03/2003	21/03/2006 – 20/03/2013	266.50p	**433,863**	–
21/03/2003	21/03/2007 – 20/03/2013	266.50p	**200,000**	–
			999,237	398,530

Computacenter Sharesave Scheme

The Company established the Computacenter 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. Under the scheme the following options have been granted and are outstanding at the year-end:

Date of grant	Exercisable between	Share price	**2003 Number outstanding**	2002 Number outstanding
August 1998	01/09/2003 – 29/02/2004	670.00p	**6,484**	7,908
September 1998	01/12/2003 – 31/05/2004	425.00p	**159,778**	242,943
September 1999	01/12/2002 – 31/05/2003	565.00p	**–**	50,956
September 1999	01/12/2004 – 31/05/2005	565.00p	**9,905**	13,009
September 2000	01/12/2003 – 31/05/2004	435.00p	**5,916**	8,408
September 2000	01/12/2005 – 31/05/2006	435.00p	**3,101**	4,107
January 2001	01/02/2004 – 31/07/2004	350.00p	**132,280**	159,668
January 2001	01/02/2006 – 31/07/2006	350.00p	**77,858**	106,638
October 2001	01/12/2004 – 31/05/2005	185.00p	**1,171,308**	1,282,071
October 2001	01/12/2006 – 31/05/2007	185.00p	**577,073**	634,217
October 2002	01/12/2005 – 31/05/2006	220.00p	**703,504**	796,698
October 2002	01/12/2007 – 31/05/2008	220.00p	**555,967**	668,388
October 2002	01/12/2007 – 31/05/2008	225.00p	**62,346**	–
October 2003	01/12/2006 – 31/05/2007	395.00p	**584,538**	–
October 2003	01/12/2008 – 31/05/2009	395.00p	**278,617**	–
October 2003	01/12/2008 – 31/05/2009	417.00p	**9,803**	–
			4,338,478	3,975,011

The Group has taken advantage of the SAYE exemption available under UITF 17 in accounting for options granted under the Sharesave Scheme.

23 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Investment in own shares £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Group							
At 1 January 2002	9,281	68,710	–	–	–	143,825	221,816
Prior year adjustment	–	–	–	(2,503)	–	–	(2,503)
At 1 January 2002 (restated)	9,281	68,710	–	(2,503)	–	143,825	219,313
Shares issued	56	294	–	–	–	–	350
Shares repurchased	(100)	–	100	–	–	(4,646)	(4,646)
Total recognised gains in the year	–	–	–	–	–	38,270	38,270
Equity dividends	–	–	–	–	–	(10,657)	(10,657)
At 31 December 2002	9,237	69,004	100	(2,503)	–	166,792	242,630
Shares issued	204	2,482	–	–	–	–	2,686
Total recognised gains in the year	–	–	–	–	–	50,463	50,463
Equity dividends	–	–	–	–	–	(13,011)	(13,011)
At 31 December 2003	**9,441**	**71,486**	**100**	**(2,503)**	**–**	**204,244**	**282,768**
Company							
At 1 January 2002	9,281	68,710	–	–	55,990	58	134,039
Shares issued	56	294	–	–	–	–	350
Total recognised gains in the year	–	–	–	–	–	15,259	15,259
Shares repurchased	(100)	–	100	–	–	(4,646)	(4,646)
Equity dividends	–	–	–	–	–	(10,657)	(10,657)
At 31 December 2002	9,237	69,004	100	–	55,990	14	134,345
Shares issued	204	2,482	–	–	–	–	2,686
Total recognised gains in the year	–	–	–	–	–	81,948	81,948
Equity dividends	–	–	–	–	–	(13,011)	(13,011)
At 31 December 2003	**9,441**	**71,486**	**100**	**–**	**55,990**	**68,951**	**205,968**

The cumulative amount of goodwill resulting from acquisitions which has been written off directly to reserves is £79,469,000 (2002: £79,469,000). All shareholders' funds are attributable to equity interests in the Company.

Own shares comprise the following:

i) Computacenter Employee Share Ownership Plan
Shares in the parent undertaking comprise 1,427,042 (2002: 1,427,042) 5p ordinary shares of Computacenter plc purchased on behalf of the Computacenter Employee Share Ownership Plan ("the Plan").

None of these shares were awarded to executives of the Company under the Computacenter (UK) Limited Cash Bonus and Share Plan. Shares 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 5p 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 payable in respect of 1,427,042 shares that it owns, which are not allocated to employees. Any dividends received by the plan in respect of shares allocated to the beneficiaries would be paid in full to them.

ii) Computacenter Qualifying Employee Share Trust ("the QUEST")
During the year there were no 5p ordinary share subscriptions by the Quest. The total shares held are 1,031,134 (2002: 1,102,266). 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 2003 was £4,846,000. The Quest Trustees have waived dividends in respect of all of these shares.

iii) Computacenter Trustees Limited
During the year no new awards of share allocations were made under the Computacenter Bonus Plus Scheme. As at the year-end date the total number of shares held by Computacenter Trustees Limited was 457,796 (2002: 501,036) shares of which nil (2002: 43,240) shares are allocated against the Bonus Plus awards and 457,796 (2002: 457,796) shares are unallocated shares. Dividends are paid in respect of the allocated shares but waived in respect of the unallocated shares.

24 Reconciliation of operating profit to operating cash flows

	2003 £'000	2002 £'000
Operating profit	65,938	56,167
Depreciation	22,665	17,138
Impairment of listed investment	–	1,865
Amortisation of positive goodwill	544	449
Impairment of positive goodwill	46	2,899
Amortisation of negative goodwill	(4,261)	(3,728)
Revaluation of listed investment	(292)	–
Loss on disposal of fixed assets	914	110
(Increase)/decrease in debtors	(16,963)	8,955
Increase in stocks	(4,908)	(282)
Decrease in creditors	(8,432)	(23,708)
Currency and other adjustments	1,730	749
Net cash inflow from operating activities	53,521	60,614

25 Analysis of gross cash flows

	2003 £'000	2002 £'000
Returns on investments and servicing of finance		
Interest received	3,249	7,367
Interest paid	(4,203)	(7,835)
Net cash outflow for returns on investments and servicing of finance	(954)	(468)

	2003 £'000	2002 £'000
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(14,112)	(9,154)
Receipts from sales of tangible fixed assets	–	807
Investment in joint venture	(450)	(750)
Net cash outflow for capital expenditure and financial investment	(14,562)	(9,097)

25 Analysis of gross cash flows continued

	2003 £'000	2002 £'000
Acquisitions and disposals		
Payments to acquire interest in subsidiary undertakings	**(36,883)**	(419)
Receipt from sale of shares in associate	**130**	38
Net cash acquired with subsidiary undertakings	**–**	8,521
Payment to acquire business	**(550)**	(581)
Net cash (outflow)/inflow for acquisitions and disposals	**(37,303)**	7,559

	2003 £'000	2002 £'000
Financing		
Issue of ordinary share capital	**2,686**	350
Repurchase of own shares	**–**	(4,646)
Net repayment of capital element of finance leases	**(479)**	(474)
Bonds repurchased	**–**	(38,313)
Net cash inflow/(outflow) from financing	**2,207**	(43,083)

26 Analysis of changes in net funds

	At 1 January 2003 £'000	Cash flows in year £'000	Exchange differences £'000	At 31 December 2003 £'000
Cash at bank and in hand	**92,072**	4,925	–	**96,997**
Bank overdrafts	**(7,626)**	(38,306)	(603)	**(46,535)**
	84,446	(33,381)	(603)	**50,462**
Finance leases	**(690)**	479	–	**(211)**
Debt due after one year	**(326)**	–	–	**(326)**
Total	**83,430**	(32,902)	(603)	**49,925**

27 Other financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003 Land/buildings £'000	2003 Other £'000	2002 Land/buildings £'000	2002 Other £'000
Group				
Operating leases which expire:				
Within one year	**1,970**	**10,673**	225	2,114
Between two and five years	**6,692**	**15,359**	637	3,874
Over five years	**6,262**	**104**	4,692	–
	14,924	**26,136**	5,554	5,988

28 Capital commitments

At both 31 December 2002 and 31 December 2003 all future contracted Group capital expenditure had been provided for.

29 Contingent liabilities

The Group has given a VAT deferred import duty guarantee of £500,000 (2002: £500,000).

Computacenter plc has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding £25,828,000 (2002: £994,000).

Computacenter plc has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December 2003 is £17,000,000 (2002: £7,441,000).

Further contingent liability disclosure is included in note 14.

30 Related party transactions

Group
Biomni, the joint venture between Computacenter plc and Lowkin Limited, 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 £1,751,000 (2002: £3,759,000). Both PJ Ogden and PW Hulme are directors of and have a material interest in Lowkin Limited.

During the year, the Group supplied goods to Lowkin in the normal course of business totalling £3,800 (2002: £114,500). At 31 December 2003 Lowkin owed the Group £nil (2002: £nil).

31 Financial instruments

The Group's approach to managing financial risk is described in the Finance Director's review on pages 10 to 12.

(a) Interest rate risk

Financial liabilities

The interest rate profile of the financial liabilities of the Group is as follows:

	At floating interest rates £'000	Interest free £'000	Total £'000
2003			
Sterling	326	8,463	8,789
Euro	45,725	11,173	56,898
US Dollar	810	–	810
	46,861	19,636	66,497

	At floating interest rates £'000	Interest free £'000	Total £'000
2002 – restated			
Sterling	511	8,643	9,154
Euro	7,441	–	7,441
	7,952	8,643	16,595

31 Financial instruments continued

The financial liabilities of the Group comprise:

	2003 £'000	Restated 2002 £'000
Other borrowings	**46,861**	7,952
Finance leases	**211**	690
Other creditors due after one year	**2,690**	–
Property provisions	**16,735**	7,953
	66,497	16,595

Financial assets

The interest rate profile of the financial assets of the Group is as follows:

	At floating interest rates £'000	Asset on which no interest is earned £'000	Total £'000
2003			
Financial Assets:			
Sterling	92,709	3,055	95,764
Euro	2,038	48	2,086
US Dollar	375	1,818	2,193
	95,122	4,921	100,043

	At floating interest rates £'000	Asset on which no interest is earned £'000	Total £'000
2002			
Financial Assets:			
Sterling	91,228	2,755	93,983
Euro	844	–	844
	92,072	2,755	94,827

The financial assets of the Group comprise:

	2003 £'000	2002 £'000
Cash and deposits	**96,997**	92,072
Long-term equity investments	**3,046**	2,755
	100,043	94,827

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

31 Financial instruments continued

(b) Currency exposure

As described in Note 14, the Group has recognised a debtor of €50,662,000 in respect of the acquisition made in the year. Other than this amount the Group does not have any significant currency exposures on monetary assets and liabilities. No Group company holds significant monetary assets or monetary liabilities that are not denominated in the functional currency of the company involved. At 31 December 2003, the UK company had entered into forward contracts to sell for sterling, in total, €10,610,000 at rates between 1.404 and 1.415 and US $2,200,000 at rates between 1.742 and 1.750. In addition the UK Company had also contracted to sell for euros, in total, US $8,800,000 at rates between 1.223 and 1.239 (2002: purchase €60,000,000 at 1.562).

(c) Maturity of financial liabilities

	2003 £'000	2002 £'000
In one year or less, or on demand	48,176	8,316
In more than one year but not more than two years	4,446	326
In more than two years but not more than five years	4,361	–
In more than five years	9,514	–
	66,497	8,642

(d) Undrawn committed borrowing facilities

The Group has various available borrowing facilities. The undrawn committed facilities available at 31 December 2003 in respect of which all conditions precedent had been met were £25,839,000 (2002: £69,618,000). All of these facilities are subject to annual review.

(e) Fair value of financial instruments

	2003 Book value £'000	2003 Fair value £'000	2002 Book value £'000	2002 Fair value £'000
Interests in equities	3,046	3,046	2,755	2,755
Cash and deposits	96,997	94,242	92,072	92,072
Other borrowings	47,072	47,072	(8,642)	(8,642)
Other creditors due after one year	2,690	2,690	–	–
Property provisions	16,735	16,735	7,953	7,953
Forward foreign currency contract	–	(75)	–	701
	66,497	66,497	(689)	12

Other than the forward currency contract above, which unwinds within one year, there are no other unrecognised amounts.

Five year financial review

	1999 £m	2000 £m	2001 £m	2002 £m	**2003 £m**
			Year ended 31 December		
Turnover	1,760.6	1,988.4	2,093.4	1,926.7	**2,481.3**
Operating profit	75.6	61.4	55.1	56.2	**65.9**
Profit on ordinary activities before taxation	75.1	55.6	34.9	55.1	**65.2**
Profit on ordinary activities after taxation	53.0	39.2	19.1	37.0	**46.3**
Diluted earnings per share (excluding exceptional items)	28.1p	20.8p	17.9p	19.3p	**24.6p**
year-end headcount	5,618	5,788	5,894	6,022	**9,716**

Summary balance sheet

	1999 £m	2000 £m	2001 £m	2002 £m	**2003 £m**
			Year ended 31 December		
Intangible assets	3.8	6.2	8.0	0.2	**4.2**
Tangible assets	96.6	109.4	103.5	96.7	**100.6**
Investments	2.8	11.8	13.5	12.4	**11.0**
Stocks	92.9	119.6	95.4	95.7	**134.1**
Debtors	244.2	339.6	295.8	286.9	**442.3**
Cash	63.7	71.6	109.7	92.1	**97.0**
Creditors due within one year	(292.8)	(410.0)	(395.7)	(328.5)	**(466.8)**
Creditors due after one year	(41.0)	(39.5)	(2.0)	(1.6)	**(13.9)**
Provisions	(1.7)	(4.5)	(6.2)	(8.6)	**(25.6)**
Net assets	168.5	204.2	222.0	245.3	**282.9**

Financial calendar

Record date:	7 May 2004
Annual General Meeting:	7 May 2004
Final dividend payment date:	1 June 2004
Interim Report 2004 mailed to shareholders:	September 2004
Annual Report 2004 mailed to shareholders:	April 2005
Annual General Meeting:	May 2005

Corporate information

Board of Directors:
Ron Sandler (Executive Chairman)
Mike Norris (Chief Executive)
Tony Conophy (Finance Director)
Nick Cosh (Senior Independent Non-Executive Director)
Philip Hulme (Non-Executive Director)
Ghislain Lescuyer (Non-Executive Director)
Peter Ogden (Non-Executive Director)
Cliff Preddy (Non-Executive Director)

Company Secretary:
Alan Pottinger FCIS

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