





#### Partnering business across Europe

Computacenter provides Technology Sourcing, Infrastructure Integration and Managed Services across the UK, Germany, France, Belgium and Luxembourg and, through partnerships, across the globe.

Turn to the case studies on pages 14-21 to see how we helped our clients to reduce their costs, improve service levels, access appropriate technical skills and lessen the burden on their IT resources.

2004 was a year of further good progress, with Computacenter growing its UK contracted service business by 16.6% and winning a number of significant long-term contracts. Profit before tax, excluding exceptional items, increased by 3.2% and revenues were broadly unchanged, despite continuing price erosion. Cash generation remained extremely strong.

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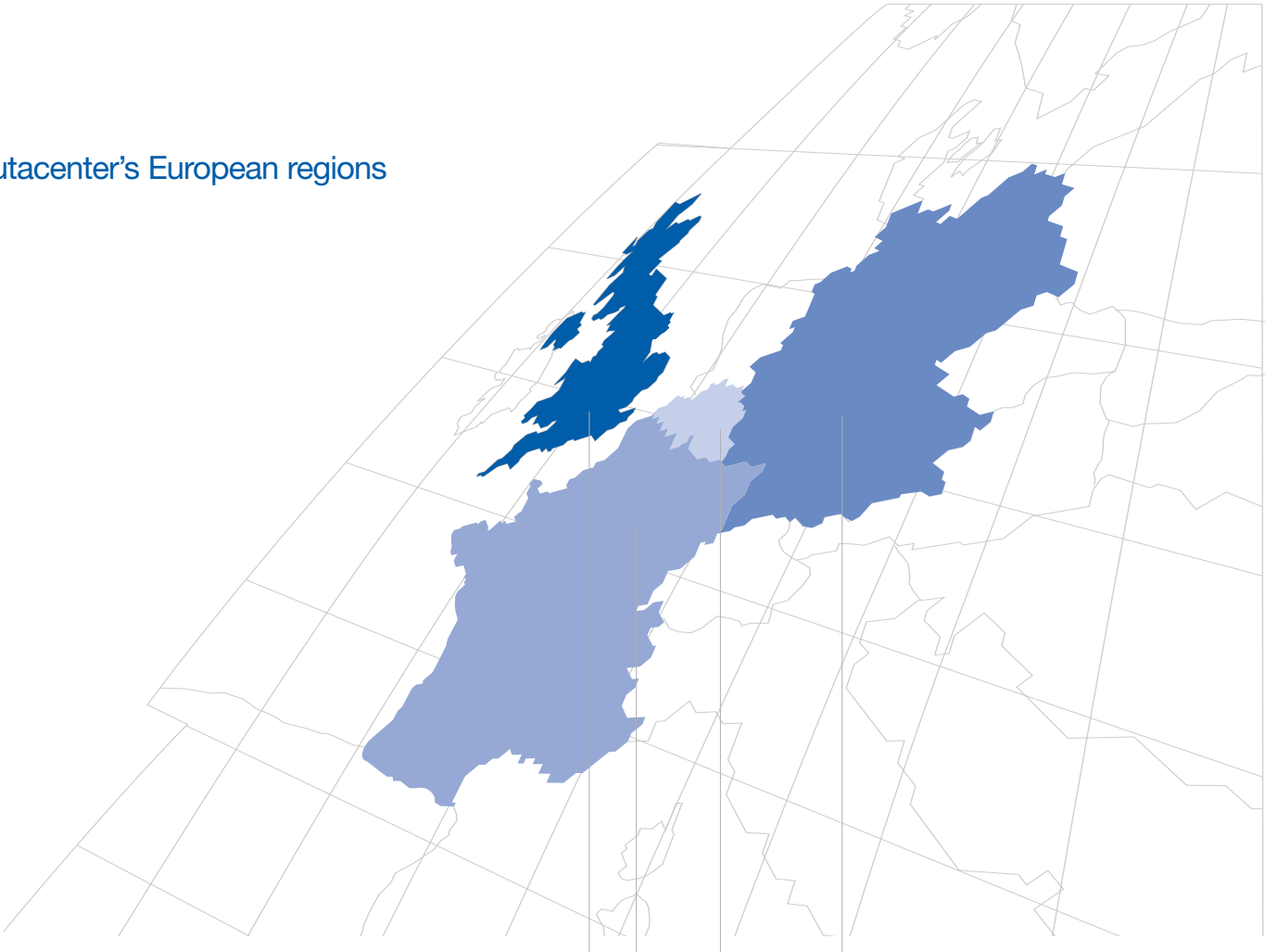
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Group operations

Computacenter is a leading European 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, Luxembourg and Belgium, and through our international partners at locations throughout the world.

Computacenter’s European regions



United Kingdom

Offices Aberdeen, Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Gatwick, Hatfield, Leeds, London, Maidenhead, Manchester, Milton Keynes, Reading, Watford  
Revenue £1,433.7 million  
Number of employees 4,909

France

Offices Bordeaux, Dijon, Grenoble, Lille, Lyon, Marseille, Nantes, Nice, Orléans, Paris, Pau, Rennes, Rouen, Strasbourg, Toulouse  
Revenue £300.4 million  
Number of employees 1,139

Germany

Offices Aachen, Berlin, Essen, Frankfurt, Hamburg, Hanover, Kerpen, Kiel, Leipzig, Ludwigshafen, Munich, Nuremberg, Ratingen, Saarbruecken, Stuttgart  
Revenue £655.5 million  
Number of employees 3,472

Belgium and Luxembourg

Offices Brussels, Luxembourg  
Revenue £21.0 million  
Number of employees 104

## Highlights 2004

	2004 £million	2003 £million
Group revenue	2,455.8	2,481.3
Group operating profit <sup>1</sup>	65.7	65.9
Profit before tax <sup>2</sup>	67.3	65.2
Diluted earnings per share <sup>3</sup>	25.1p	24.6p
Year-end Group employee numbers	9,838	9,919

<sup>1</sup> Excluding results of associated undertaking and joint venture.

<sup>2</sup> Calculated as profit before tax excluding non-operating exceptional items.

<sup>3</sup> Excluding non-operating exceptional items.

## 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.

“2004 was a year of further good progress for Computacenter. In particular, our Managed Services revenues in the UK grew by 16.6% and we began to see clear evidence of success in our efforts to transfer our Managed Services best practices to Computacenter Germany.”



2004 was a year of further good progress for Computacenter. Whilst revenues for the Group were broadly unchanged at £2.46 billion (2003: £2.48 billion), this represents a considerable achievement in markets where core product prices continued to decline in the order of 12% – 15%. Profit before tax rose 3.2% to £67.3 million (2003: £65.2 million), excluding non-operating exceptional charges relating to the disposal of the Austrian business and the dilution of our interest in Biomni. Diluted earnings per share increased by 2.0% to 25.1p (2003: 24.6p). Including the exceptional charges, profit before tax was £64.6 million and diluted earnings per share was 23.7p. Cash generation from operations was extremely strong, and the Group ended the year with net funds of £80.0 million (2003: £49.9 million).

I am pleased to recommend a final dividend of 5.2p per share, bringing the total dividend for the year to 7.5p (2003: 7.0p), an increase of 7.1%. The final dividend will be paid on 31 May 2005 to shareholders on the register as at 6 May 2005.

There are many encouraging features of Computacenter's performance in 2004. In particular, our Managed Services revenues in the UK grew by 16.6% and we secured a number of significant new contracts, in addition to extending the scope of many existing engagements. Our Managed Services performance contributed to an increase in UK operating profit of 4.2% to £64.4 million.

- > A sound platform has now been created for future growth in our German business.
- > Cash generation from operations was extremely strong, and the Group ended the year with net funds of £80.0 million (2003: £49.9 million).



We also began to see clear evidence of success in our efforts to transfer our Managed Services best practices to Computacenter Germany. We now have an annualised Managed Services contract base in excess of £82 million in Germany, and are confident that this will continue to grow strongly in the years ahead.

More generally, we are pleased with the overall progress made in integrating and building our German business. Although operating profit in Computacenter Germany rose only modestly to £9.0 million (2003: £8.7 million), this does not fully reflect the achievements of the integration programme since the acquisition in early 2003. The changes made to the management, organisation and working practices have been considerable, and a sound platform has now been created for future growth.

Early in 2005, we announced our decision to dispose of our loss-making Austrian operation, which we acquired as a condition of the acquisition of our German business in 2003. Computacenter Austria is to be acquired by S&T System Integration & Technology Distribution AG, which will also become Computacenter's international partner for service delivery in Austria and other countries across Central and Eastern Europe. The disposal is expected to complete in March 2005.

The performance of Computacenter France continued to disappoint, with operating losses deepening to £6.2 million

(2003: loss of £2.7 million). Whilst this partly reflects the substantial investment we made during the year on various business improvement initiatives, the benefits of which have yet to be realised, this is clearly an unacceptable financial performance. A leading presence in the French market remains a core part of our strategy, and we are determined to restore Computacenter France to financial and competitive health. The management team in this business has now been substantially re-constituted, and Chris Webb, one of our most senior executives and previously responsible for our UK sales and services delivery, has been placed in charge of the French business from the start of 2005.

More encouragingly, growth in our BeLux business was strong, particularly in Managed Services, and for the first time, the Belgium operation showed a profit.

In November, we announced that the outcome of the annual renegotiation of terms with HP, our principal trading partner, would have a material adverse impact on Computacenter's profits in 2005. This outcome reflects the intensity of competition in the IT infrastructure market, which is unlikely to moderate in the foreseeable future.

Trading in the first two months of 2005 has been subdued and below anticipated levels. However, given Computacenter's seasonal sales patterns, it is too early to know whether this will have any impact on the overall result for the year.

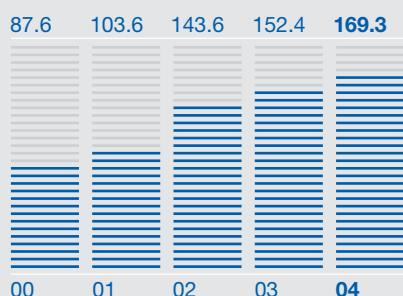
Looking ahead, and in response to market developments, we have intensified our efforts to accelerate the growth of the services side of our business and to broaden the range of our services activities. We are also determined to extend the penetration of our product sales into the small and medium-sized business segment. In addition, we have stepped up our investments in new technology to improve the efficiency of our core product sales processes. These developments, taken together with the prospects of growth in our German operations and the potential for recovery in France, give me confidence that the Group is well positioned to deliver attractive levels of earnings growth in the years ahead.

Computacenter has a long history of successfully adapting its business model to meet changing market conditions. This has been possible due to the staff of Computacenter, who have continued to demonstrate a deep commitment to the Group and an enthusiasm to deliver ever higher levels of performance, and to whom I offer my wholehearted thanks.



Ron Sandler  
Chairman

UK Managed Services contract base, year-end 2000 to 2004 £million



Germany Managed Services contract base, year-end 2002 to 2004 £million



+11.1%

2003 to 2004 UK contract base growth

+28.0%

2003 to 2004 Germany contract base growth

“We have intensified our focus on services growth and are seeking to extend our penetration of the small and medium-size business sector. We are also focusing our efforts on further streamlining our sales processes. The recovery of our business in France and further growth in Germany remain core priorities.”



### UK

In 2004, we saw 16.6% growth in our Managed Services revenues as customers continued to look to Computacenter to help them improve the quality and reduce the cost of IT infrastructure management. This growth in Managed Services helped to mitigate the impact of intense price competition in the technology supply market. Consequently, whilst revenues in the UK declined slightly to £1.43 billion (2003: £1.46 billion), UK operating profit grew 4.2% to £64.4 million (2003: £61.8 million).

Our commitment to reduce costs and improve service helped persuade EDF Energy, in the second half of the year, to award us a major Managed Services contract. Under the terms of the agreement, Computacenter will manage in excess of 10,000 desktops and laptops, as well as printers and servers, at more than 100 sites across the UK. The contract is for three years, with an option to extend for a further two years.

Improved end-user service was the main focus of the award of a seven-year Managed Services contract, valued at £11 million, by South Lanarkshire Council. Computacenter will be responsible for the entire lifecycle of the council's 5,000 desktops, laptops and printers, from procurement and installation to maintenance and disposal.

Other Managed Services successes included a five-year contract with Channel 4 Television, valued at £7 million, for a



full end-to-end Managed Service, and the award of additional business worth £1.2 million per year on our current five-year contract with BAA.

We also saw increased interest in our Infrastructure Integration services. Particularly notable was a large-scale roll-out for English Welsh and Scottish Railways, including server and desktop product supply and configuration, project management and installation. Also notable was a project for the UK Government's Prescription Pricing Authority, for which we deployed a consolidated enterprise storage, server and support solution.

Our Technology Sourcing business performed well during 2004. Revenues declined by 3.2%, although this is in the context of continued price erosion in the market in the order of 12-15%. Product margins overall were stable. However, as announced in November, the renegotiation of terms with HP, our principal trading partner, is likely to have an adverse effect on UK profits in 2005 in the order of £10 million.

Substantial new Technology Sourcing business in 2004 included an additional £19 million of product supply for BT Retail, arising out of our BT Managed Services contract, and a three-year contract with Geest, covering vendor management and supply, with order placement via our Computacenter Connect webshop.

Revenues of CCD, our trade distribution division, declined slightly as a direct result

of changes to HP's reseller end-user pricing model. This affected all similar distributors, but did not impact either our leading position with the vendor nor our overall profitability.

RDC, our recycling and remarketing arm, saw a 25% growth in throughput over the full year and recorded its best ever half-year profit performance in H1 2004. This performance is partly attributable to organisations looking to improve their waste management to conform to European Waste Electrical and Electronic Equipment (WEEE) directives.

#### Germany

Despite continuing price pressure we saw increased demand for outsourcing services in the second half of the year. As a result, and following a slightly disappointing first half, we recorded 7.7% growth in German H2 revenues compared to the same period in 2003, resulting in full year revenue growth of 3.2%. In local currency this growth was 10.1% in H2 and 5.2% for the year. Full year profits showed a modest increase of 3.1% to £9.0 million (2003: £8.7 million).

In June, and consistent with our determination to share senior management expertise across the Group, we appointed Colin Brown as CEO of Computacenter Germany (formerly CC CompuNet). Colin previously ran the highly successful UK Government business.

Growing our services business and improving our ability to respond quickly

# +16.6%

Managed Services revenues grew 16.6%, as customers continued to look to Computacenter to help them improve the quality and reduce the cost of IT infrastructure management.

#### Growing operational effectiveness

In Germany, we restructured our sales organisation and centralised our project management and consulting resources.

#### Reducing customer downtime

Managed Services contracts often include a requirement to monitor remotely and resolve our customers' IT systems problems from our Hatfield Service Operations Centre.

#### Leading waste management

Customer concern over meeting legislative requirements on electrical equipment waste gave RDC, our recycling and re-marketing arm, its best ever half-year profit performance.



## Chief Executive's review

### continued

to changing customer requirements have been key priorities in Computacenter Germany. This has led to a restructuring of our sales organisation to align it more closely with the market, and the centralisation of our project management and consulting resources. These initiatives are similar to changes that have proved successful in the UK.

To reduce operational overheads and streamline our branch network, we consolidated our premises in Essen and Cologne, creating a new sales headquarters in Ratingen, near Düsseldorf.

There were a number of substantial Managed Services contract wins and extensions in 2004, which helped to grow Computacenter Germany's Managed Services contract base by 28.0% to £82.9 million. These included the award of a five-year Managed Services contract by FinanzIT Servicegesellschaft, a major IT supplier to the German Savings Banks Organisation, covering 4,500 users and valued at approximately €12 million.

Other successes included the award of a three-year Managed Services contract by DaimlerChrysler Services, and a contract for Managed Services and Technology Sourcing with leading German insurance company R+V Versicherung. We were also awarded a three-year Managed Services extension on our contract with BMW Group.

### France

Our French business traded poorly throughout 2004 and was subject to some

extensive re-engineering, particularly in the second half. France recorded an operating loss of £6.2 million (2003: £2.7 million) on revenues of £300.4 million (2003: £324.5 million). Excluding amortisation of negative goodwill, the losses were broadly similar to those of the previous year.

These results reflect a substantial investment in a major transformation project, the full benefits of which are still to be realised. Nevertheless, this level of performance is clearly unsatisfactory and significant changes were made during the year to improve the business and the effectiveness of the management team. New managers were recruited to run our maintenance, finance and logistics functions, and in January 2005 we appointed Chris Webb, formerly responsible for UK sales and services delivery, as Managing Director of Computacenter France.

We continue to focus on the three core activities of product logistics, implementation and maintenance. In these areas we are seeking to improve service levels and delivery times, developing our capability for large project roll-outs and investing in training to ensure we have the right mix of skills to support future growth.

Significant improvements in operational performance in logistics are already taking place. For example, a record 97% of shipments to customers were made from our Roissy operations centre on the same day as the orders were received by us. The efficiency of the operations centre has benefited from a design reconfiguration

and introduction of a new stock location management system. To give us greater logistics flexibility and capacity we also opened a new 3,000m<sup>2</sup> warehouse with its own Goods-In and Goods-Out facility. We see the improved performance of our maintenance services as critical to financial recovery in Computacenter France. This has led us to redesign our maintenance organisation, which now reports directly to the Managing Director. We have also successfully introduced into France our UK parts management system, which has been a key contributor to the improved commercial performance of the UK's maintenance business in recent years.

At the same time, we have substantially improved our financial management and control disciplines. By the year-end, we succeeded in reducing accounts receivable days by 33%.

Computacenter France continued to win significant new business. A new customer, DIM, awarded us a Managed Services contract, covering help desk, asset management, desktop support and management of moves and changes. We also won an extension on our Managed Services contract with Elior, covering an off-site help desk, maintenance and network and server administration. Other notable wins included Infrastructure Integration consultancy and storage solutions for the French government's Agence Centrale des Organismes de Sécurité Sociale, and a major Technology Sourcing agreement with Biomérieux.

### Encouraging personal empowerment

We continued to focus on empowering our people, with decisions made as close as possible to the customer.

### Lowering customer risk

An increasing number of customers are testing their IT solutions prior to deployment in the risk-free environment offered by our Solutions Centre.

### Streamlining sales processes

A new web-based sales administration system was developed and will be introduced in 2005.



## Belgium and Luxembourg

In 2004 our 'BeLux' operation became profitable for the first time, on the strength of a 21.4% revenue growth to £21.0 million.

Managed Services activities made a strong and growing contribution, led by ongoing contracts with SWIFT and Group Deutsche Boerse/Clearstream, as well as significant technology refresh projects with customers such as Banksys, Eli Lilly, and the King Baudouin Foundation.

New customer wins included server deployment projects for BT Global Services and Campbell Foods. Significant services projects were undertaken for the National Research Fund and the NATO Maintenance and Supply Agency.

We continue to look at opportunities for expanding our BeLux business. In Luxembourg, following new legislation introduced for the financial sector, we were licensed by the Ministry of Finance in March 2005 as a specialised IT operator for banks and investment funds, where we see significant opportunities for growth.

## Disposals

Following a disappointing performance in 2004, we reached agreement in early January 2005 to sell our Austrian subsidiary, Computacenter GmbH, to S&T System Integration & Technology Distribution AG. S&T is a Central and Eastern European regional market leader in IT, with revenues of approximately €230 million. The company employs

1,300 people and is listed on the Austrian stock market.

We believe S&T's local scale and depth of resource will offer the best prospects for our staff and our customers in Austria. S&T will also become Computacenter's International Partner for service delivery in Austria and other countries across Central and Eastern Europe, allowing Computacenter to offer an improved service to our international customers in these geographies. The disposal is expected to complete in March 2005.

During the year, we took the decision to invest no further funds in Biomni, our e-commerce joint venture. At the year-end, our ownership interest in Biomni had fallen to 41.7%, and subsequent to year-end reduced further, producing a non-operating exceptional net charge of £0.3 million.

## Business development

In the expectation of further pressure on our product margins, we have intensified our focus on services growth. We are also seeking to extend our penetration of the small and medium-size business sector. We are confident that the competitive advantage we enjoy from our investment in high-quality logistics presents a significant opportunity for extending our product supply leadership in the corporate and public sector markets to smaller organisations.

The Group continues to invest in systems and processes to support business growth. The next version of our integrated Services Management Tool

Suite (SMTS v3.0) will begin to be deployed with UK Managed Services customers in H1 2005 and will ultimately be made available across the Group. SMTS v3.0 will significantly enhance our Managed Services offering, improving our ability to audit and manage our customers' technology assets on their behalf.

We are also focusing our efforts on further streamlining our sales processes, aided by the introduction of a new web-enabled sales administration system in the UK, to be implemented in H1 2005, and a major revision of our Computacenter Connect web-shop. These new e-commerce systems will begin to be implemented across the rest of the Group towards the end of 2005.

In addition, it remains our strategy to establish leading positions in each of the major European markets for IT products and services. To that end, the recovery of our business in France and further growth in Germany remain core priorities.



**Mike Norris**  
Chief Executive Officer

## Focusing on recovery in France

We improved our financial management and control disciplines in France, reducing accounts receivable days by 33%.

## Leveraging high quality logistics

Our investment presents us with opportunities for product supply penetration of the small and medium-sized business sector.



“In the UK, gross profit increased by 2.0%, despite a 1.5% decline in revenues. This reflects an improvement in gross margin percentage from 13.9% to 14.3%. SG&A costs increased by 1.1% and as a result, operating profit increased by 4.2%.”



### Turnover and profitability

Revenues for the year of £2.46 billion were broadly unchanged from those of 2003. The decline in product revenues was just 2.3% despite continued price erosion in the industry. Service revenues increased overall by 3.8%, although this result contained an encouraging 9.0% growth in the Group's Managed Services activities. Pre-tax profits reduced from £65.2 million to £64.6 million, caused by a £2.4 million non-operating exceptional charge arising on the sale of our Austrian business, and a net £0.3 million charge related to a partial deemed disposal of the Group's interest in Biomni. This charge arose as the Group took the decision to invest no further funds in Biomni. There was no net charge arising on the dilution that took place prior to the year-end; however after the year-end Biomni was recapitalised, resulting in the further provision of £0.3 million being required. Excluding these non-operating exceptional charges the Group's pre-tax profit increased by 3.2% from £65.2 million to £67.3 million.

### Operating profit

Group operating profit decreased slightly from £65.9 million to £65.7 million.

The format of the profit and loss account has been changed in order to allow disclosure of gross profit (in accordance with format 1, schedule 4 of the Companies Act 1985), which enables a year-on-year comparison of gross profit and sales, general and administrative (SG&A) costs.

- In the UK, gross profit increased by 2.0%, despite a 1.5% decline in revenues. This reflects an improvement in gross margin percentage from 13.9% to 14.3%. SG&A costs



increased by 1.1%, and as a result, operating profit increased by 4.2%. Managed Services revenue growth was encouraging, at 16.6%. Other service revenues, relating largely to Infrastructure Integration, reduced by approximately 12.6%, although the utilisation of resources and hence the profitability of this business remained strong. Included within operating profit is a write back of £1.6 million in respect of a previous impairment charge on a listed investment. The £1.9 million write down on the listed investment was charged in the 2002 accounts.

- The operating profit contribution from the German business, at £9.0 million, showed a modest increase over 2003. Revenues improved, with an overall increase of 5.2% over 2003 in local currency, with H2 being 10.1% higher than H2 2003. Gross margin achieved in Germany fell by 5.5%, resulting in a reduction of the gross margin percentage to 13.8% compared with 15.1% in 2003. This reflects an increase in the Technology Sourcing business, and continued price pressure in both product sales and services billing rates in Germany. SG&A costs reduced by 4.5% in local currency, reflecting continuing effective cost control in that business.
- In France the financial performance was disappointing. Revenues in sterling terms decreased by 7.4%, and in local currency revenues declined by 5.6%. Service revenues increased marginally, but product revenues reduced by 6.7% in local currency. The overall gross margin percentage reduced from 12.3% to 10.6%, although this was partly due to one-off transformation costs within

the maintenance business. More generally, utilisation levels were lower than expected and significant pricing pressure for implementation services was encountered. SG&A costs reduced by 17.8%, despite high levels of expenditure associated with business improvement initiatives and cost reduction measures. The cost savings arise because even higher levels of expenditure in relation to these initiatives were incurred in 2003. We expect these efforts to lead to a significant SG&A cost reduction and substantial improvement in performance in the future. An operating loss of £2.7 million in 2003 declined to an operating loss of £6.2 million in 2004, including the release of negative goodwill. However, excluding the impact of negative goodwill the operating loss in 2004 of £6.7 million showed a slight improvement on the 2003 result of £7.0 million.

- The operating performance in Austria was broadly the same in 2004 as 2003. Revenues reduced by 7.9%, but the resulting reduction in gross profit was offset by savings in SG&A. However, given Computacenter's weak competitive position in this marketplace and the potentially high cost of organic growth, the decision was taken to sell this business. Completion of the transaction is anticipated in March 2005.
- Revenues in the 'BeLux' region increased by 21.4% in sterling terms (24.7% in local currency). This is an encouraging performance and demonstrates gain in market share, for both the Technology Sourcing and Managed Services businesses. For the first time, in 2004, the business showed an operating profit (2003: operating loss of £0.4 million).

**"The operating profit contribution from the German business, at £9.0 million, showed a modest increase over 2003."**

**Table 1: Group revenues,  
H1 2002 to H2 2004** £million

	Half 1	Half 2	Total
2002	975.0	951.7	<b>1,926.7</b>
2003	1,254.7	1,226.6	<b>2,481.3</b>
2004	1,254.9	1,200.9	<b>2,455.8</b>
% Change*	<b>0.0</b>	<b>(2.1)</b>	<b>(1.0)</b>

\*2004/2003

**Table 2: Group pre-exceptional pre-tax profit,  
H1 2002 to H2 2004** £million

	Half 1	% return	Half 2	% return	Total	% return
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
2004	33.2	2.6	34.1	2.8	67.3	2.7
% Change*	<b>3.7</b>		<b>2.7</b>		<b>3.3</b>	

\*2004/2003

## Finance Director's review continued

### Earnings per share and dividend

Excluding the non-operating exceptional charge, fully diluted earnings per share increased by 2.0% from 24.6p to 25.1p. Including the exceptional charge, fully diluted earnings per share reduced to 23.7p. It is our intention to recommend a 7.1% increase in the total dividend for the year to 7.5p per share, maintaining dividend cover in accordance with our stated policy of circa 3.5 times. The dividend will be payable on 31 May 2005 to registered shareholders as at 6 May 2005.

### Cash flow and working capital

	2004	2003	Diff
Stock days	26	28	(2)
Debtor days	46	44	2
Creditor days	32	37	(5)

Inventory levels decreased from £134.1 million to £120.1 million and inventory days decreased from 28 to 26. The stock levels in 2003 were higher than usual due to some year-end purchases and do not indicate any fundamental change to the inventory cycle.

Debtor days increased from 44 to 46. However, in France the debtor collection process improved. The balance lodged with the French invoice factor (shown as non-returnable proceeds in the linked presentation on the face of the balance sheet) reduced from £78.4 million to £39.0 million.

Creditor days decreased from 37 to 32. The unusually high figure of 37 at the end of 2003 was mainly attributable to the year-end stock purchases in 2003. 32 creditor days is a more realistic ongoing expectation.

The cash inflow from operating activities relative to operating profit was 91.8% compared to 81.2% in 2003.

Overall net funds increased from £49.9 million at the end of 2003 to £80.0 million at the end of 2004, mainly due to the earnings from the year, corporate tax payments, and no acquisitions. The strong cash flow during 2004 contributed to a positive net interest income of £1.7 million compared to a net interest payment of £1.0 million in 2003.

### Update on acquisitions – Germany and Austria

On 2 January 2003, the Group acquired GE CompuNet in Germany and GECITS Austria for an initial payment of £38.1 million. There has been no change in circumstances that has resulted in a change to the Board's view of the provisional fair value to the Group.

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."

As previously announced, 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 and, taking account of the proceedings to date, is still of the view that this is properly reflected in the accounts.

### Contingent liability

As reported in the 2003 annual report, 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. They consequently issued a claim for €52,165,292, (£36,892,000) 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 proceeding between the parties. On the basis of legal advice received, the Board is confident that this claim is without merit and is being 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 each of these years.

### Taxation

The effective tax rate for the Group was 30.7% compared to 29.0% in 2003.

**Table 3: Revenues by country,  
H1 2003 to H2 2004** £million

	2004		2003	
	Half 1	Half 2	Half 1	Half 2
UK	758.4	675.3	755.8	699.5
Germany	311.9	343.6	316.0	319.2
France	147.1	153.3	148.1	176.4
BeLux	11.5	9.5	7.4	9.9
<b>Total Continuing Operations</b>	<b>1,228.9</b>	<b>1,181.7</b>	1,227.3	1,205.0
Austria – disposal	26.0	19.2	27.4	21.6
<b>Totals</b>	<b>1,254.9</b>	<b>1,200.9</b>	1,254.7	1,226.6



The increase is mainly attributable to the impact of unrelieved operating losses in France and Austria and also to the loss incurred on the disposal of the Austrian operation. These accounted for a 5.9% differential in the tax rate from the standard 30%. This is mostly offset by adjustments in respect of previous periods in the UK.

### 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.

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

### Interest rate risk

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

### Liquidity risk

The Group's policy is to ensure that 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 £117.5 million of committed bank facilities with maturities for up to one year, of which 50% were drawn down.

The Group's net cash position at the year-end was £80.0 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.

### Foreign currency risk

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



**Tony Conophy**  
Finance Director

**Table 4: Operating profit by country,  
H1 2003 to H2 2004** £million

	2004				2003			
	Half 1	% return	Half 2	% return	Half 1	% return	Half 2	% return
UK	32.2	4.2	32.2	4.8	31.4	4.2	30.4	4.3
Germany	2.5	0.8	6.5	1.9	3.2	1.0	5.5	1.7
France	(1.5)	(1.0)	(4.7)	(3.1)	(1.7)	(1.1)	(1.0)	(0.6)
BeLux	0.1	0.6	(0.1)	(0.6)	(0.2)	(2.9)	(0.2)	(1.8)
<b>Total Continuing Operations</b>	<b>33.3</b>	<b>2.7</b>	<b>34.0</b>	<b>2.9</b>	<b>32.8</b>	<b>2.7</b>	<b>34.7</b>	<b>2.9</b>
Austria – disposal	(0.3)	(1.1)	(1.3)	(6.6)	(0.3)	(1.1)	(1.2)	(5.5)
<b>Totals</b>	<b>33.0</b>	<b>2.6</b>	<b>32.7</b>	<b>2.7</b>	<b>32.4</b>	<b>2.6</b>	<b>33.6</b>	<b>2.7</b>

# Cutting cost, raising service



- > Computacenter focuses on improving IT service levels for BT employees and achieving a year-on-year reduction in costs.
- > Within the first year, BT saved more than £7 million and service levels improved by up to 30%.

## Challenge

BT needed to reduce the cost and complexity of supplying and maintaining desktop PCs and laptops for its 90,000 employees in the UK.

The communications and technology giant has a large desktop/laptop estate widely dispersed in the UK with 7,000 home-workers. Managing all aspects of this environment internally was making less and less sense financially. The company was keen to find a way to reduce the costs as well as improve service levels and the overall end-user experience.



### Solution

To help them do more for less, BT signed a five-year agreement with Computacenter to provide desktop logistics and engineering services. Since May 2004 this contract has been run in partnership with HP, BT's services management partner and a key Computacenter vendor.

The agreement would provide improvements in managing logistics and engineering, enable BT to benefit from industry best practice, and allow the company to build joint customer propositions with Computacenter in external opportunities.

As part of the contract, Computacenter committed to a guaranteed year-on-year cost reduction, and 347 BT engineering staff and 90 contractors transferred to Computacenter under TUPE (Transfer of Undertakings, Protection of Employment) regulations.

### Benefits

In the first year of the contract, Service Level Agreement performance for the national repair service improved from 64% to as much as 93% and BT saved more than £7 million. Even within the first six months of working with Computacenter, BT was able to make significant improvements.

Services are more efficient and 'joined-up', with improved management controls, and budgeting is simpler thanks to a transparent cost-per-user. At the same time, BT has been able to improve flexibility of service to better meet the demands of the business and its end-users.

BT and Computacenter are also successfully combining their expertise and experience to develop innovative IT solutions and services for the external market.

### Services provided

Technology supply, installation, desk-side support, second line support, request management, problem management, management of third party providers.





- > Computacenter deployed a new, highly resilient IT infrastructure and single, consolidated data centre.
- > For the National Blood Service that means improved performance of its mission-critical blood collection system and lower IT costs.

#### Challenge

The National Blood Service (NBS) needed to improve the performance of its PULSE system, which handles every aspect of blood collection, processing, testing and issue, as well as online appointment booking. NBS also wanted to decrease the cost and complexity associated with the system's management, which involved a number of data centres distributed across the UK. Andrew O'Connor of NBS says, "We knew that this was not ideal, for performance or support, so decided to examine our options for consolidating them".

The organisation looked for a partner that could take on the infrastructure deployment as an end-to-end project from specification through to implementation.



# Improved service from a more resilient infrastructure



## Solution

Working with Computacenter, The National Blood Service replaced its legacy IT infrastructure with a modern, extremely resilient equivalent and created a 'virtual' data centre over geographically separate locations.

The implementation involved the deployment of comprehensive backup, disaster recovery and storage solutions, with Computacenter managing its own resources plus those from HP, the solution vendor, and the NBS in-house team.

As the data centre environment is mission-critical to the blood service and patients, the entire project had to be completed without any unplanned downtime or disruption to the business.

## Benefits

Today, the latest generation of servers and a Storage Area Network is offering users an improved service. The virtual data centre has reduced support costs, as engineers are no longer looking after separate centres, each with its own backup disaster recovery facilities. Thirdly, thanks to the new infrastructure, the NBS has the right technology foundations for new services, such as a donor management system.

Andrew comments, "We now have an extremely reliable and resilient infrastructure. We are already seeing the returns we sought, and we are delivering a substantially improved service to our customers. All in all, I would say the project has been a real success."

## Services provided

Planning and design, installation, project management, fulfilment and configuration.



# Better control, lighter management burden



- > When Heidelberger Druckmaschinen, the industrial printer manufacturer, decided to upgrade its entire worldwide PC infrastructure, Computacenter supplied and installed almost 6,000 ready-configured systems for its German operation.
- > The migration to Windows XP allowed Heidelberg to reduce the total cost of ownership for its desktop infrastructure by 20%.

## Challenge

Although the existing PC infrastructure at Heidelberger Druckmaschinen AG was mainly based on Windows 2000 and Office 2000, the IT function lacked central control over supplementary software purchasing. The resulting wide variety of applications was both difficult and costly to support. To lower the IT management burden, Heidelberg decided to standardise and upgrade its systems to Windows XP.

The timescales for the roll-out were tight and left little margin for error. Almost 6,000 systems needed to be replaced in Germany between early June and late August 2004, when the existing leasing contract would expire.





## Solution

Computacenter developed a precise schedule, prioritising and planning the upgrade of individual offices. In April 2004, Heidelberg's systems were loaded with the necessary applications and a standard configuration image at Computacenter's Logistics Centre in Kerpen. Over 12,000 pieces of hardware – from PCs, to monitors and other peripherals – were prepared for just-in-time delivery.

Computacenter organised a three-phase operation to ensure a smooth transition. First, a logistics team distributed the computers across a total of 1,700 offices in 17 locations. Then the old systems were removed and the new clients installed. Finally, the outdated desktops were collected for disposal by Computacenter's computer re-use and recycling specialist arm, RDC.

## Benefits

The project increased the efficiency of administrative tasks such as updates and security patches and helped Heidelberg greatly reduce the operating costs of its infrastructure, achieving a 20% reduction in its total cost of ownership.

The new standard systems are more reliable and benefit from the additional management features offered by Windows XP.

To ensure users quickly became productive on the new systems, education was a major consideration. Employees were able to keep track of the progress of the migration via an intranet web page, which Computacenter helped to conceive and design. An e-learning program accessed from this page also helped familiarise employees with the new system and applications.

## Services provided

Project management, technology procurement, configuration, installation, support, e-learning.



# Reducing risk, improving performance

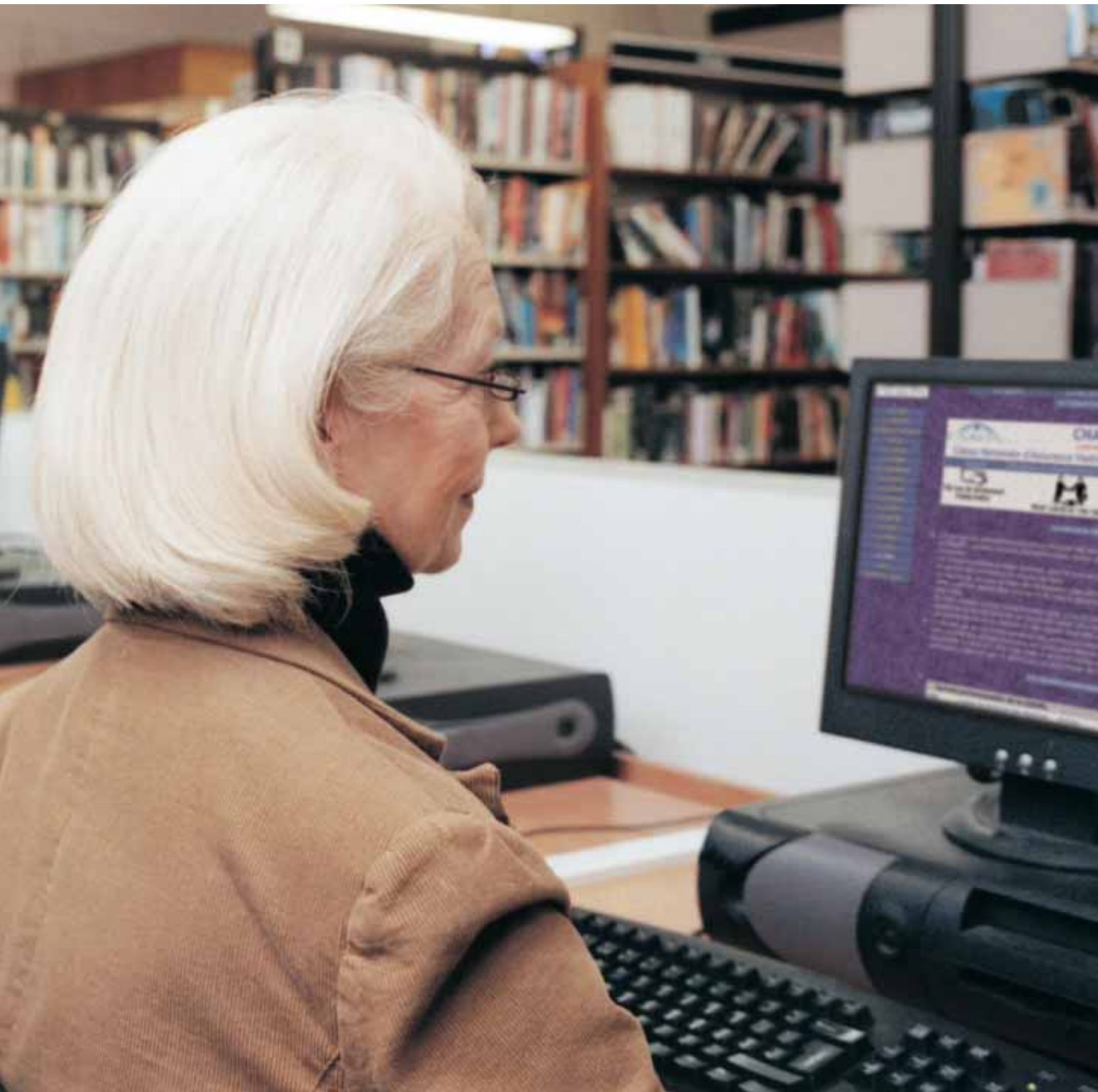


- > When Caisse Nationale d'Assurance Vieillesse, France's National Social Security Pension agency, needed an anti-virus application and partner to protect its national server network, it turned to Computacenter.
- > As a result, CNAV's employees can be sure that confidential pension data relating to 25 million French customers is secure.

## Challenge

Clearly for an organisation like CNAV, which holds personal data on 15 million contributors and 10 million pensioners, data security and protection from virus attack are of paramount importance. As data shared across its networks must meet very stringent government security requirements, CNAV sought a partner that could help protect its IT infrastructure through the selection, deployment and support of an advanced and reliable anti-virus solution. Moreover, any such solution had to be installed and fully operational very quickly.





### Solution

Having already proved itself on other supply and support projects with CNAV, Computacenter was chosen to help with the whole process – from the consultative phase through to the final deployment and support of a fail-safe anti-virus solution. After extensive consultation, Computacenter recommended Antigen as the solution that most closely met CNAV's requirements. After two trials with CNAV's staff, Computacenter trained all users and deployed Antigen on servers across all of the customer's 21 sites within five months. Computacenter is also contracted to provide three-year support to help CNAV maximise the security and speed of data exchange across its employee network.

### Benefits

Today, CNAV's personal data on pensioners and contributors is secure from virus infection, and with internal data exchange occurring speedily, pensioners and contributors can rest assured that their funds and statements are fully protected and efficiently updated. The Head of Project Deployment at the CNAV, Gérard Lecointe, confirms, "Computacenter was able to help us make the right choice and install a solution that is perfectly suited to the needs of our diverse and multi-site environment".

### Services provided

Consultancy and planning, installation, project management, ongoing support.





**Ron Sandler**  
Executive Chairman, aged 53

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



**Mike Norris**  
Chief Executive, aged 43

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



**Tony Conophy**  
Finance Director, aged 47

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



**Nick Cosh**  
Aged 58

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 and is chairman of Kiln plc. Previous positions held include Group Finance Director of JIB Group plc and of MAI plc.



**Philip Hulme**  
Aged 56

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



**Ghislain Lescuyer**  
Aged 47

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).



**Peter Ogden**  
Aged 57

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



**Cliff Preddy**  
Aged 57

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.



# Corporate governance statement

## 1 Compliance statement

The Board remains committed to high standards of corporate governance throughout the Group and supports the main principles, supporting principles and provisions set out in the new Combined Code on Corporate Governance published in July 2003 ('the Code'). The remainder of this report explains how the Company has applied the main and supporting principles. Other than where detailed in this report, the Company has throughout the financial year complied with the provisions of the Code.

## 2 Board of Directors

### Structure

The Board consists of three Executive and five Non-Executive Directors. Three of the Non-Executive Directors, Nick Cosh, Ghislain Lescuyer and Cliff Preddy are considered by the Board to be independent in the terms as set out in the Code. Nick Cosh is the Senior Independent Non-Executive Director. Ghislain Lescuyer was appointed to the Board on 19 January 2004.

The Directors are aware that during the period under review and notwithstanding the appointment of Ghislain Lescuyer as a further independent Non-Executive Director, the structure of the Board does not 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 appointment of a further independent Non-Executive Director will remain under consideration during 2005.

The names of the Directors together with details of their memberships of the various Board Committees are set out in the table below and their biographies appear on pages 22 and 23.

## Decision-making

There is a clear division of responsibilities between the roles of the Chairman, who is responsible for the effective operation of the Board, and the Chief Executive, who is responsible for the management of the Group's day-to-day activities. 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.

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 also responsible for reviewing the performance of management.

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

## Structure of the Board and its Committees

Name	PLC Board	Independent	Audit Committee	Remuneration Committee	Nominations Committee
Ron Sandler	Executive Chairman	No	No	No	Chairman
Mike Norris	Executive	No	No	No	No
Tony Conophy	Executive	No	No	No	No
Nick Cosh	Senior Independent Director	Yes	Chairman	Yes	Yes
Phil Hulme	Non-Executive	No	No	No	No
Ghislain Lescuyer	Non-Executive	Yes	Yes <sup>1</sup>	Yes <sup>1</sup>	Yes <sup>1</sup>
Peter Ogden	Non-Executive	No	No <sup>2</sup>	No	No
Cliff Preddy	Non-Executive	Yes	Yes	Chairman	Yes
Alan Pottinger	Secretary		Secretary	Secretary	Secretary

<sup>1</sup> Ghislain Lescuyer was appointed on 19 January 2004.

<sup>2</sup> Prior to Ghislain Lescuyer's appointment and until the completion of his induction, Peter Ogden served as a member of this Committee. He resigned on 4 May 2004. As a result, the composition of this Committee during the early part of 2004 did not comply with provision C.3.1 of the Code.



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 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.

Each year (excluding those Directors retiring and not seeking re-election and those retiring following their appointment during the year), the number of the Directors nearest to but not exceeding one-third 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.

A procedure to facilitate formal performance evaluations of the Board, its Committees and individual Directors was introduced during 2004. Each Board member completed a confidential questionnaire designed to examine matters of Board and Committee structure, objectives and processes. Questionnaires were followed up by individual meetings with the Chairman to explore more fully the issues raised. The results of this process were then presented to the Board as a whole for assessment and review, and actions were agreed to address areas requiring improvement. The review of the performance of the Chairman is undertaken annually by the Remuneration Committee.

### Principal Board Committees

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

#### Audit Committee

**Members: Nick Cosh, (Chairman), Ghislain Lescuyer and Cliff Preddy**

All of the members of this Committee are independent Non-Executive Directors. During 2004 the Audit Committee met four times and a record of each Director's attendance is set out in the table on page 26. The Chairman, Group Finance Director, Group Internal Auditor and the external auditor are invited to and 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 controls and risk management systems. It also reviews reports presented by the Internal Audit Department and the Risk and Insurance Department regarding significant operational risks and controls to ensure that the latter are robust. In addition, the Committee reviews arrangements for answering staff concerns over improprieties, should these arise, ensuring that procedures are in place for appropriate investigation and follow-up.

#### Nomination Committee

**Members: Ron Sandler (Chairman), Nick Cosh, Ghislain Lescuyer and Cliff Preddy**

The Committee Chairman is Ron Sandler, the Executive Chairman of the Board, and all of the other members are independent Non-Executive Directors. 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 Directorships on the basis of merit and objective criteria. It also ensures that the procedures for the appointment of new Directors are formal, rigorous and transparent and that there is an orderly succession for appointments to the Board and senior management. In accordance with the provisions of the Code, the majority of this Committee's members are independent Non-Executive Directors. Although the Committee Chairman is not an independent Non-Executive Director, which means that there has not been full compliance with provision A.4.1 of the Code, the Board is satisfied that the chosen composition of the Committee is appropriate for the effective discharge of its duties.

When making a recommendation for the appointment of a Director, the Committee will evaluate the existing balance of skills, knowledge and experience on the Board and produce a description of the role and capabilities required for such an appointment. The Committee typically uses the services of external advisers to help identify candidates from a wide range of backgrounds who will then be considered on merit against objective criteria. This process was followed in the appointment of Ghislain Lescuyer as a Non-Executive Director on 19 January 2004.

#### Remuneration Committee

**Members: Cliff Preddy (Chairman), Ghislain Lescuyer and Nick Cosh**

All of the members of this Committee are independent Non-Executive Directors. Ghislain Lescuyer was appointed to the Committee on 19 January 2004. 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, the specific packages for the Executive Directors and the level and structure of remuneration for senior employees. 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.

Throughout 2004, the terms of reference for each Committee were available from the Company Secretary on request and were posted on the Company's website from March 2005. Full compliance with the relevant provisions of the Code was therefore not achieved for the period under review.

## Corporate governance statement

### continued

The attendance of the Directors at scheduled Board and Committee meetings held during 2004 was as follows:

Director	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Number of scheduled meetings held	8	4	2	1
<b>Executive:</b>				
Ron Sandler, Chairman	8	n/a	n/a	1
Mike Norris, Chief Executive	8	n/a	n/a	n/a
Tony Conophy, Finance Director	8	n/a	n/a	n/a
<b>Non-Executive:</b>				
Nick Cosh, Senior Independent Director	8	4	2	1
Phil Hulme	6	n/a	n/a	n/a
Ghislain Lescuyer, Independent Director	6*	2*	2	1
Peter Ogden	5	2**	n/a	n/a
Cliff Preddy, Independent Director	8	4	2	1

\* Ghislain Lescuyer was appointed to the Board and Board Committees on 19 January 2004 and was unable to attend some of the scheduled meetings due to prior commitments on the specified dates.

\*\* Peter Ogden resigned as member of the Audit Committee on 4 May 2004.

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

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

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

### 3. Directors' remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 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 Company has a programme of meetings with its major institutional shareholders and presents to analysts at least twice a year following the announcement of its interim and final results. The Chairman arranges for the Directors to receive regular reports on shareholders' views to ensure the Board develops an understanding of the 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 and noted in the minutes.

### 5. Accountability and audit

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

All systems of internal control are designed to continuously identify, evaluate and manage significant risks faced by the Group, key elements of which 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, which comprises 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.

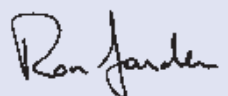
## 6. Board review of internal control

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 of Group risk and controls.

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.



RA Sandler  
Chairman

# Directors' remuneration report

## Remuneration Committee and advisers

The Remuneration Committee has received advice from Linklaters and Mercer Human Resource Consulting in respect of the proposed Performance Share Plan. In addition, general remuneration information has been provided by Towers Perrin.

Other Directors and employees of the Company who were invited to attend some or all of the Committee meetings during the year and who provided material advice or services to the Committee were:

Ron Sandler	Chairman
Mike Norris	Chief Executive
Alan Pottinger	Group Company Secretary
Tim Way	Group HR Director
Phil Hulme	Non-Executive Director
Peter Ogden	Non-Executive Director

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 that 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 various elements of Executive Directors' Remuneration during 2004, are shown below:

Element:	Fixed basic salary	Performance based bonus	Share options
Maximum Award:		50% of base salary	125% of base salary
Purpose:	Reflects competitive salary levels and takes account of personal contribution and performance	Rewards the delivery of Group operational performance and achievement of personal objectives	Directly linked to the achievement of significant and sustained improvements in the Company's financial performance and to the creation of value through increased share price
Performance Standard:	Individual contribution	Specific individual targets approved by the Remuneration Committee each year	EPS growth

Note: The Chairman is ineligible for a bonus award.

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 2004, the maximum levels of bonus were 50% of base salary and Mike Norris earned £73,100 (2003: £157,700) and Tony Conophy £54,000 (2003: £91,000). Following a review by the Remuneration Committee, the maximum levels of bonus for 2005 will be 75% of base salary.

## Share options

The Executive Directors are awarded executive share options under the Company's share option schemes. Since 1998, these awards have ordinarily been subject to certain performance conditions that are challenging and designed to produce significant and sustained improvements in the Group's underlying financial performance. The details of the various performance conditions relating to grants are set out in the table of Directors' interests in share options on page 31. 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 an individual's base salary. Adjusted Earnings Per Share (EPS) has been chosen as a performance measure on the basis that this is a widely used and transparent yardstick. Adjusted EPS in relation to share options, is calculated on a pre-exceptional, post-investment in the Biomni joint venture, fully diluted basis.



During 2004, the Remuneration Committee reviewed the effectiveness of the Company's incentive arrangements and is intending to introduce a new performance share plan (PSP) scheme in 2005, subject to shareholder approval at the Annual General Meeting in April 2005. This new plan will operate as the main long-term incentive scheme for senior employees in place of the existing executive option schemes. In appropriate circumstances, grants of options under the current executive option schemes may still be considered, particularly in those countries where there are associated tax advantages, such as France.

The Remuneration Committee believes that the PSP scheme will generate improved motivation for senior employees to contribute to growth and profitability, and better align the Company's incentive arrangements with shareholders' interests.

For 2005, the PSP plan performance target will be based on the Company's annual adjusted EPS growth in relation to the retail price index (RPI) and measured over a three-year period. No shares subject to awards will vest if cumulative annual growth is less than RPI plus 3%. One quarter of the shares will vest at RPI plus 3%. Awards will vest in full if the Company's cumulative annual growth is at or above RPI plus 7.5%. If the Company's EPS growth over the period is between 3% and 7.5% above RPI, awards will vest on a straight line basis. There will be no retesting of the performance target.

The Remuneration Committee has chosen an EPS-based performance target because it believes that there are not sufficient comparable organisations to create a meaningful total shareholder return (TSR) comparator group. In addition, it believes that an EPS-based target will create a more effective incentive for participants, given the lower volatility of the Company's EPS performance when compared to the Company's relative TSR.

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

### Pension

Past and present 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' emoluments. Mike Norris, Tony Conophy and Peter Ogden participate in the scheme.

### Directors' contracts

Director	Contract/letter of appointment start date	Expiry date	Unexpired term (months) as at 14 March 2005	Notice period (months)
<b>Executive:</b>				
Ron Sandler	15.03.2001	n/a*	see below*	12
Mike Norris	23.04.1998	n/a	none specified	12
Tony Conophy	23.04.1998	n/a	none specified	12
<b>Non-Executive:</b>				
Nick Cosh	08.01.2002	2005 AGM	1**	12
Phil Hulme	09.05.2003	2006 AGM	14**	12
Ghislain Lescuyer	19.01.2004	2007 AGM	26**	12
Peter Ogden	09.05.2003	2006 AGM	14**	12
Cliff Preddy	08.01.2002	2005 AGM	1**	12

\* Ron Sandler's service contract automatically terminates on his 65th birthday, on 5 March 2017.

\*\* Calculated as at 14 March 2005 and assuming that future AGMs will be held in May each year (with the exception of the 2005 AGM which will be held in April) and assumes re-election where required to retire at earlier AGMs in accordance with the Company's Articles of Association.

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

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

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

All Directors must offer themselves for re-election by shareholders in general meeting at least every three years.

## Directors' remuneration report

### continued

#### Performance graph

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

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

#### Total Shareholder Return performance

##### Computacenter versus FTSE Software & Computer Services sector



Index rebased to 100 at 01/01/00.

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

#### Directors' remuneration

	Basic salary and fees £	Performance related bonuses £	Pension contributions £	Total 2004 £	Total 2003 £
<b>Executive Directors</b>					
RA Sandler	257,952	—	—	257,952	246,929
MJ Norris	430,000	73,100	3,500	506,600	572,617
FA Conophy	278,500	54,000	3,500	336,000	379,573
<b>Non-Executive Directors</b>					
NJ Cosh	42,500*	—	—	42,500	38,750
PW Hulme	30,000	—	—	30,000	30,000
GM Lescuyer	34,667	—	—	34,667	—
PJ Ogden	30,000	—	375	30,375	31,500
CSF Preddy	35,000**	—	—	35,000	32,500
	1,138,619	127,100	7,375	1,273,094	1,331,869

\* Nick Cosh receives an annual fee of £12,500 for his services as Chairman of the Audit Committee.

\*\* Cliff Preddy receives an annual fee of £5,000 for his services as Chairman of the Remuneration Committee.

## Interests in share options

	Exercise price (p)	Exercise dates	Note	At 1 January 2004 (or date of appointment)	Granted during the year	Exercised during the year (or since appointment)	Lapsed	At 31 December 2004
<b>Executive Directors</b>								
RA Sandler	333.50p	20/03/2004 – 19/03/2011	(1)	150,000	–	–	–	150,000
	333.50p	20/03/2005 – 19/03/2011	(1)	150,000	–	–	–	150,000
	333.50p	20/03/2006 – 19/03/2011	(1)	200,000	–	–	–	200,000
	322.00p	10/04/2005 – 09/04/2012	(6)	91,226	–	–	–	91,226
	266.50p	21/03/2006 – 20/03/2013	(8)	117,260	–	–	–	117,260
	266.50p	21/03/2007 – 20/03/2013	(8)	200,000	–	–	–	200,000
	424.00p	02/04/2007 – 01/04/2014	(10)	–	76,650	–	–	76,650
		Total		908,486	76,650	–	–	985,136
MJ Norris	160.00p	31/07/2000 – 30/07/2007	(2)	250,000	–	–	–	250,000
	670.00p	01/09/2003 – 28/02/2004	(3,9)	2,574	–	–	2,574	–
	333.50p	20/03/2004 – 19/03/2011	(1,4)	8,995	–	–	–	8,995
	333.50p	20/03/2004 – 19/03/2011	(5)	48,726	–	–	–	48,726
	322.00p	10/04/2005 – 09/04/2012	(6)	122,670	–	–	–	122,670
	266.50p	21/03/2006 – 20/03/2013	(8)	194,652	–	–	–	194,652
	395.00p	01/12/2008 – 31/05/2009	(3)	4,012	–	–	–	4,012
	424.00p	02/04/2007 – 01/04/2014	(10)	–	126,768	–	–	126,768
		Total		631,629	126,768	–	2,574	755,823
FA Conophy	670.00p	01/09/2003 – 28/02/2004	(3,9)	2,574	–	–	2,574	–
	333.50p	20/03/2004 – 19/03/2011	(5)	35,982	–	–	–	35,982
	322.00p	10/04/2005 – 09/04/2012	(1,7)	9,316	–	–	–	9,316
	322.00p	10/04/2005 – 09/04/2012	(6)	66,770	–	–	–	66,770
	266.50p	21/03/2006 – 20/03/2013	(8)	121,951	–	–	–	121,951
	395.00p	01/12/2006 – 31/05/2007	(3)	2,335	–	–	–	2,335
	424.00p	02/04/2007 – 01/04/2014	(10)	–	79,599	–	–	79,599
		Total		238,928	79,599	–	2,574	315,953

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

### Notes:

- 1 Issued under the terms of the Computacenter Employee Share Option Scheme 1998.
- 2 Issued under the terms of the Computacenter Services Group plc Unapproved Executive Share Option Scheme.
- 3 Issued under the terms of the Computacenter Sharesave Plus Scheme, which is available to all employees and full time Executive Directors of the Computacenter Group.
- 4 Exercisable on the condition that the average annual compound growth in the Computacenter Group's 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.
- 5 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average compound growth in the Computacenter Group's 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.
- 6 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Company's earnings per share (on a 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.
- 7 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.
- 8 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Company's earnings per share (on a 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.
- 9 Options lapsed on 29 February 2004.
- 10 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 2003, is at least equal to the RPI plus 5% in any of the three four or five year periods up to and including 2006, 2007 or 2008 respectively.

The market price of the ordinary shares at 31 December 2004 was 291.0p. The highest price during the year was 500.5p and the lowest was 253.0p.

AJ Pottinger

Secretary

14 March 2005

## Directors' report

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 2004.

### Principal activities

The Company is a holding company and is a going concern. 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 13.

### 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 2004		At 1 January 2004 (or as at date of appointment)	
	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial
<b>Executive Directors</b>				
RA Sandler	75,000	–	75,000	–
MJ Norris	1,271,265	–	1,271,265	–
FA Conophy	1,762,758	–	1,762,758	–
<b>Non-Executive Directors</b>				
NJ Cosh	5,000	–	5,000	–
PW Hulme	24,977,295	9,772,707	26,577,295	12,272,707
GM Lescuyer	–	–	–	–
PJ Ogden	42,402,764	1,175,000	42,402,764	1,175,000
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 2004. Ghislain Lescuyer was appointed to the Board on 19 January 2004.

### Major interests in shares

In addition to the Directors' interests set out above, in so far as has been notified to the Company, as at 14 February 2005 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
Fidelity International Limited	10,830,161	5.73%

### Results and dividends

The Group's activities resulted in a profit before tax of £64.6 million (2003: £65.2 million). The Group profit for the year available to shareholders amounted to £44.9 million (2003: £46.3 million). The Directors propose a final dividend for the year of £9.8 million (2003: £9.2 million) being payable on 31 May 2005 to those shareholders on the register as at 6 May 2005. The Company paid an interim dividend of £4.3 million on 15 October 2004.

### Directors

The Directors who served during the year ended 31 December 2004 are detailed below. Brief biographical details of the Directors at the date of this report are given on pages 22 and 23.

Nick Cosh and Tony Conophy 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.



### Authority to purchase own shares

At the 2004 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 further extend the authority is to be put to the 2005 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 Financial Reporting Standards

The Group will be required to adopt International Financial Reporting Standards (IFRS) when preparing its statutory accounts for the year ended 31 December 2005.

Following the release of the Stable Platform by the International Accounting Standards Board in March 2004, a study of the impact of the introduction of IFRS to the Group has been completed and the Board considers the Group to be well prepared for the changes. The results of this study have assisted in determining the adjustments required to current UK GAAP in the reporting of the Group's results both in the future and at the point of transition to IFRS. This has in turn facilitated the identification of the reporting and disclosure requirements that the individual Group companies will need to provide, in addition to those under UK GAAP, for the consolidation of the Group accounts. The agreement of the opening adjustments is now to be concluded with the Company's auditors.

The first set of figures that the Group will be presenting under IFRS will be those for its 2005 interim result. It is intended that the 2004 results restated for IFRS accompanied by the relevant reconciliations will be communicated to shareholders and the wider financial community in the first half of 2005. The Board believes, based on the work to date, that there will be no material changes on the reported profit for the year.

### Employee share schemes

The Company operates executive share option schemes and a performance-related option scheme for the benefit of employees. During the year, options were granted under these schemes to certain employees in respect of 1,607,222 ordinary shares of 5p each, options over 119,000 shares were exercised and options over 237,000 shares have lapsed. At the year-end, options over 8,566,056 (2003: 7,313,065) shares remain outstanding under these schemes.

In addition, the Company continues to operate a Sharesave scheme for the benefit of employees. At the year-end, options over 3,603,417 (2003: 4,338,478) shares remain outstanding under this scheme.

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

### Corporate Social Responsibility

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

### Environment

The Board continues its commitment 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 has been successfully retained in the UK since July 2003, and the last BSI audit was completed during November 2004. During 2004, the Group's operation in Germany also achieved the ISO 14001 accreditation and together with R D Trading Limited, this resulted in the third accredited operation within the Group.

The Computacenter EMS covers the supply, configuration, storage, installation, recovery and disposal of information technology systems and is applied at all of the Company's UK locations. Information on the EMS is provided to staff and the system is monitored and reviewed by the Group Health, Safety and Environment Department and the BSI. Further monitoring is performed by a number of customers who regard Computacenter as a significant partner.

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 by way of a formal, annual review.

Copies of the environmental policy are available from the Company's website at [www.computacenter.com/corporate-responsibility](http://www.computacenter.com/corporate-responsibility) or upon request.

### 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, which is available from the Company's website at [www.computacenter.com/corporate-responsibility](http://www.computacenter.com/corporate-responsibility) or upon request. The Health, Safety and Environment Department monitors and reviews all procedures and policies utilising the advice of external consultants and exposure trends identified, where necessary.

### Employee involvement

Computacenter is committed to involving all employees in driving 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.

## Directors' report

### continued

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 introduction of job families, new employee induction programmes and the launch of a new quality-based employee reward and recognition scheme.

Equivalent employee opinion surveys are planned in 2005 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.

#### 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.

#### Workplace

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

#### Business ethics

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

#### Community relations and charity activities

The Group supports community and charitable projects as part of its commitment to 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 2004 the Group made charitable donations amounting to £78,000.

#### Going concern

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

#### Statement of Directors' responsibilities in respect of the accounts

Company law requires the Directors to prepare the 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 reappointment of Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

#### AJ Pottinger

Secretary  
14 March 2005

# Independent auditors' report to the members of Computacenter plc

We have audited the Group's financial statements for the year ended 31 December 2004, 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 32. 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 nine provisions of the 2003 FRC Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited 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 2004 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

Registered Auditor  
Luton  
14 March 2005

## Group profit and loss account

For the year ended 31 December 2004

	Note	2004 £'000	Restated 2003 £'000
<b>Turnover</b>			
Turnover: Group and share of joint venture's turnover		2,456,575	2,482,713
Less: share of joint venture's turnover		(823)	(1,418)
Continuing operations		2,410,590	2,432,283
Discontinued operations		45,162	49,012
<b>Group turnover</b>			
	2	2,455,752	2,481,295
Cost of sales	3	(2,120,351)	(2,136,647)
<b>Gross profit</b>	2	335,401	344,648
Other operating expenses (net)	3	(269,658)	(278,710)
<b>Operating profit/(loss)</b>	2		
Continuing operations		67,290	67,440
Discontinued operations		(1,547)	(1,502)
<b>Group operating profit</b>	4	65,743	65,938
Share of operating loss in joint venture		(411)	(333)
Share of operating profit in associate		266	510
<b>Total operating profit: Group and share of associate and joint venture</b>		65,598	66,115
Provision for loss on termination of operation	5	(2,356)	–
Net loss on investment in joint venture	5	(286)	–
<b>Profit on ordinary activities before interest and taxation</b>		62,956	66,115
Interest receivable and similar income	7	5,262	3,249
Interest payable and similar charges	8	(3,573)	(4,203)
<b>Profit on ordinary activities before taxation</b>		64,645	65,161
Tax on profit on ordinary activities	9	(19,860)	(18,902)
<b>Profit on ordinary activities after taxation</b>		44,785	46,259
Minority interests		69	45
<b>Profit attributable to members of the parent company</b>		44,854	46,304
Dividends – ordinary dividends on equity shares	10	(14,101)	(13,011)
<b>Retained profit for the period</b>		30,753	33,293
<b>Earnings per share</b>			
– Basic	11	24.1p	25.0p
– Diluted	11	23.7p	24.6p
– Diluted (excluding effect of non-operating exceptional items)	11	25.1p	24.6p
Dividends per ordinary share	10	7.5p	7.0p

## Group statement of total recognised gains and losses

For the year ended 31 December 2004

	2004 £'000	2003 £'000
Profit for the financial year excluding share of joint venture and associate	45,168	46,231
Share of joint venture's loss for the year	(474)	(233)
Share of associate's profit for the year	160	306
<b>Profit attributable to members of the parent company for the financial year</b>	44,854	46,304
Exchange differences on retranslation of net assets of associated and subsidiary undertakings	(911)	4,159
<b>Total recognised gains for the year</b>	43,943	50,463




# Group balance sheet

At 31 December 2004

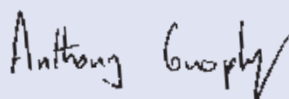
	Note	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Intangible assets			
Positive goodwill	12	4,474	4,755
Negative goodwill	12	–	(532)
		4,474	4,223
Tangible assets	13	93,430	100,549
Investments	14	6,021	11,036
		103,925	115,808
<b>Current assets</b>			
Stocks	15	120,087	134,133
Debtors: gross		501,741	520,701
Less: non returnable proceeds		(39,043)	(78,390)
Debtors	16	462,698	442,311
Cash at bank and in hand		139,182	96,997
		721,967	673,441
<b>Creditors:</b> amounts falling due within one year	17	(482,572)	(466,816)
<b>Net current assets</b>		239,395	206,625
<b>Total assets less current liabilities</b>		343,320	322,433
<b>Creditors:</b> amounts falling due after more than one year	18	(3,017)	(13,923)
<b>Provision for joint venture deficit</b>			
Share of gross assets		222	385
Share of gross liabilities		(6,341)	(7,609)
	21(a)	(6,119)	(7,224)
<b>Provision for liabilities and charges</b>	21(b)	(19,046)	(18,403)
<b>Total assets less liabilities</b>		315,138	282,883
<b>Capital and reserves</b>			
Called up share capital	22	9,489	9,441
Share premium account	23	73,920	71,486
Capital redemption reserve	23	100	100
Investment in own shares	23	(2,503)	(2,503)
Profit and loss account	23	234,086	204,244
Shareholders' funds – equity		315,092	282,768
Minority interests – equity		46	115
		315,138	282,883

Approved by the Board on 14 March 2005

MJ Norris  
Chief Executive



FA Conophy  
Finance Director



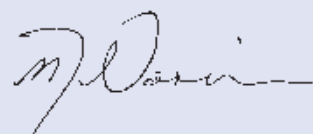
# Company balance sheet

At 31 December 2004

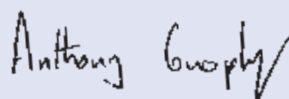
	Note	2004 £'000	2003 £'000
<b>Fixed assets</b>			
Intangible assets	12	161,221	169,721
Tangible assets	13	35,025	36,641
Investments	14	155,759	182,761
		<b>352,005</b>	389,123
<b>Current assets</b>			
Debtors	16	124,219	90,187
Cash at bank and in hand		52	8
		<b>124,271</b>	90,195
<b>Creditors:</b> amounts falling due within one year	17	<b>(195,934)</b>	(182,108)
<b>Net current liabilities</b>		<b>(71,663)</b>	(91,913)
<b>Total assets less current liabilities</b>		<b>280,342</b>	297,210
<b>Creditors:</b> amounts falling due after more than one year	18	<b>(80,704)</b>	(89,704)
<b>Provisions for liabilities and charges</b>	21(b)	<b>(1,455)</b>	(1,538)
<b>Total assets less liabilities</b>		<b>198,183</b>	205,968
<b>Capital and reserves</b>			
Called up share capital	22	9,489	9,441
Share premium account	23	73,920	71,486
Capital redemption reserve	23	100	100
Merger reserve	23	55,990	55,990
Profit and loss account		58,684	68,951
Shareholders' funds – equity		<b>198,183</b>	205,968

Approved by the Board on 14 March 2005

**MJ Norris**  
Chief Executive



**FA Conophy**  
Finance Director



## Group statement of cash flows

For the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
<b>Cash inflow from operating activities</b>	24	<b>60,320</b>	53,521
<b>Returns on investments and servicing of finance</b>	25	<b>943</b>	(954)
<b>Taxation</b>	25	<b>(12,296)</b>	(22,456)
<b>Capital expenditure and financial investment</b>	25	<b>(7,591)</b>	(14,562)
<b>Acquisitions and disposals</b>	25	<b>–</b>	(37,303)
<b>Equity dividends paid</b>		<b>(13,587)</b>	(14,437)
<b>Cash inflow/(outflow) before financing</b>		<b>27,789</b>	(36,191)
<b>Financing</b>	25	<b>2,443</b>	2,207
<b>Increase/(decrease) in cash in the period</b>		<b>30,232</b>	(33,984)

## Reconciliation of net cash flow to movement in net funds

For the year ended 31 December 2004

	2004 £'000	2003 £'000
<b>Net funds at 1 January 2004</b>	<b>49,925</b>	83,430
Increase/(decrease) in cash in the year	<b>30,232</b>	(33,984)
Cash outflow from repayment of debt and lease finance	<b>39</b>	479
Change in net cash resulting from cash flows	<b>30,271</b>	(33,505)
Exchange movement	<b>(149)</b>	–
<b>Net funds at 31 December 2004</b>	<b>80,047</b>	49,925

# Notes to the financial statements

## 1 Accounting policies

### Basis of preparation

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

The format of the Group Profit and Loss Account has been changed to Format 1 of schedule 4 of the Companies Act 1985. Operating costs, as reported in prior years under Format 2, have been split between cost of sales and other operating expenses (net). It is the Directors' opinion that a change in the format is appropriate to provide additional disclosure of gross profit and that the allocation between cost of sales and other operating expenses (net) is consistent across the Group.

### 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 £3,834,000 (2003: £81,948,000).

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 which the Group jointly controls with other entities are accounted for as joint ventures. The Group financial statements include the appropriate share of those undertakings' 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 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. Contracted Managed Services revenue is recognised over the contracted period on a straight line basis, which approximates to the level of



## 1 Accounting policies continued

completion of an individual contract. The unrecognised contracted revenue is included as deferred income in the balance sheet. Amounts invoiced relating to more than one period are deferred and recognised over their relevant life.

### 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.

## 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 which fall within the Group's ordinary activities, stated net of VAT.

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

	2004 £'000	2003 £'000
<b>Turnover by origin</b>		
UK	<b>1,433,685</b>	1,455,296
Germany	<b>655,501</b>	635,150
France	<b>300,380</b>	324,517
Belgium & Luxembourg	<b>21,024</b>	17,320
Continuing operations	<b>2,410,590</b>	2,432,283
Austria – discontinued	<b>45,162</b>	49,012
Total	<b>2,455,752</b>	2,481,295

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

### 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 13. 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.

### 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.

# Notes to the financial statements

continued

## 2 Turnover and segmental analysis continued

	2004 £'000	Restated 2003 £'000
<b>Gross profit</b>		
UK	205,657	201,573
Germany	90,479	95,695
France	31,771	39,793
Belgium & Luxembourg	2,291	1,924
Continuing operations	330,198	338,985
Austria – discontinued	5,203	5,663
Total	335,401	344,648

The gross profit for 2003 has been restated to account for distribution costs within other operating expenses, as prescribed in Format 1 of schedule 4 of the Companies Act 1985. Previously these amounts were included in the calculation of gross profit, as described in note 1.

	2004 £'000	2003 £'000
<b>Operating profit/(loss)</b>		
UK	64,426	61,829
Germany	8,999	8,728
France	(6,151)	(2,727)
Belgium & Luxembourg	16	(390)
Continuing operations	67,290	67,440
Austria – discontinued	(1,547)	(1,502)
<b>Total Group excluding associate &amp; joint venture undertakings</b>	65,743	65,938
Share of operating result of German associate and UK joint venture	(145)	177
Total	65,598	66,115

	2004 £'000	2003 £'000
<b>Net assets/(liabilities) employed</b>		
UK	178,854	187,167
Germany	34,596	21,042
France	32,234	33,326
Belgium & Luxembourg	(7,250)	(6,397)
	238,434	235,138
Austria – discontinued	(3,716)	(2,690)
Subtotal	234,718	232,448
Net assets of associated undertaking	373	510
Net assets employed	235,091	232,958
Net funds	80,047	49,925
Total	315,138	282,883

## 3 Cost of sales and operating costs

	2004 £'000	Restated 2003 £'000
<b>Cost of sales</b>	2,120,351	2,136,647
Distribution costs	20,759	22,606
Administrative costs	248,899	256,104
<b>Other operating expenses (net)</b>	269,658	278,710

The total figures for 2004 include the following amounts in relation to the discontinued operation Computacenter Austria: cost of sales £39,959,000 (2003: £43,349,000), distribution costs £133,000 (2003: £156,000), administrative expenses £6,617,000 (2003: £7,009,000) and other operating expenses £6,750,000 (2003: £7,165,000).

#### 4 Operating profit

	2004 £'000	2003 £'000
This is stated after charging:		
Auditors' remuneration – audit services – UK	172	164
– audit services – overseas	217	226
– non-audit services – UK	295	121
– non-audit services – overseas	6	8
Depreciation of owned assets	18,110	22,188
Depreciation of assets held under finance leases and hire purchase contracts	272	477
Operating lease rentals – plant & machinery	8,985	10,049
– land & buildings	17,948	18,493
Amortisation of positive goodwill	281	544
Impairment of goodwill	–	46
And after crediting:		
Amortisation of negative goodwill	532	4,261
Increase in listed investment	–	292
Disposal of listed investment	1,603	–
Rentals received under operating leases	523	661

Non-audit services principally relate to taxation advice.

In addition to the auditors' remuneration disclosed above, further costs of £61,000 (2003: £440,000) relating to non-audit services in respect of the acquisition in the prior year of GE CompuNet and GECITS Austria have been capitalised.

#### 5 Exceptional items

	2004 £'000	2003 £'000
Recognised below operating profit:		
Austria		
Provision for loss on disposal	2,356	–
Joint venture		
Deemed disposal on dilution of shareholding (see note 21)	(1,516)	–
Provision for impairment of investment	1,802	–
	2,642	–

Further explanation on the exceptional item relating to the Austria business is given in note 32.

#### 6 Staff costs

	2004 £'000	2003 £'000
Wages and salaries	344,639	337,690
Social security costs	55,756	59,690
Other pension costs	11,282	8,681
	411,677	406,061

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

There were no outstanding or prepaid pension contributions as at the balance sheet date.

# Notes to the financial statements

continued

## 6 Staff costs continued

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

	Number of employees	
	2004	2003
Supply chain services	2,078	2,125
Managed services	3,667	3,448
Sales and customer services	1,589	1,765
Business support	1,029	1,049
Direct business	130	124
Professional services	1,272	1,193
Other services	–	25
Total	9,765	9,729

Details of Directors' remuneration, pension entitlements and share options are disclosed in the Directors' Remuneration Report on pages 28 to 31.

## 7 Interest receivable and similar income

	2004 £'000	2003 £'000
Bank interest	4,427	2,773
Other interest receivable	835	476
	5,262	3,249

## 8 Interest payable and similar charges

	2004 £'000	2003 £'000
Bank loans and overdraft	2,734	3,448
Other loans	839	755
	3,573	4,203

## 9 Taxation

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

	2004 £'000	2003 £'000
UK Corporation Tax	21,374	17,612
Tax overprovided in previous years	(2,701)	(621)
	18,673	16,991
Foreign tax current year	4	20
Foreign tax prior year	(548)	–
Group current tax	18,129	17,011
Share of joint venture's tax	63	(100)
Total current tax	18,192	16,911
Deferred tax		
Origination and reversal of timing differences	1,797	1,542
Prior year adjustments	(129)	449
Group deferred tax	1,668	1,991
Tax on profit on ordinary activities	19,860	18,902



## 9 Taxation continued

### (b) Factors affecting the current tax charge

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

	2004 £'000	2003 £'000
Total profit before taxation	64,645	65,161
At 30%	19,393	19,548
Expenses not deductible for tax purposes	234	640
Relief on share option gains	(54)	(2,845)
Goodwill amortised	(75)	(919)
Impairment of goodwill	–	11
Adjustments in respect of previous periods	(616)	–
Adjustment following agreement of certain items for earlier years	(2,447)	–
Higher tax on overseas earnings	1	–
Provision for loss on disposal of subsidiary	686	–
Provision for net loss on investment in joint venture	86	–
Disposal of investment	(569)	–
Accounting depreciation in excess of tax depreciation	80	(284)
Other timing differences	238	–
Profits of overseas undertakings not taxable due to brought forward loss offset	(1,887)	(2,590)
Losses of overseas undertakings not available for relief	3,122	3,350
Current tax charge	18,192	16,911

### (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 £9,875,000. 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:

	2004 £'000	2003 £'000
Included in debtors (note 16)	1,433	3,314
Included in provisions for liabilities and charges (note 21)	(1,455)	(1,668)
	(22)	1,646
	2004 £'000	2003 £'000
Accelerated capital allowances	(1,455)	(1,804)
Tax losses carried forward	1,433	3,314
Other short-term timing differences	–	136
	(22)	1,646
		£'000
At 1 January 2004		1,646
Deferred tax charge in Group profit and loss account:		
Current year		(1,797)
Prior year		129
At 31 December 2004		(22)

# Notes to the financial statements

continued

## 9 Taxation continued

(d) Deferred tax continued

### Company

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

	2004 £'000	2003 £'000
Accelerated capital allowances	1,455	1,538

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

	£'000
At 1 January 2004	1,538
Deferred tax credit in Company profit and loss account:	
Current year	(83)
At 31 December 2004	1,455

## 10 Dividends

	2004 £'000	2003 £'000
Equity dividends on ordinary shares:		
Interim paid 2.3p (2003: 2.0p)	4,316	3,775
Final proposed 5.2p (2003: 5.0p)	9,785	9,236
	14,101	13,011

The Computacenter ESOP trust has waived the dividends payable in respect of 1,427,042 (2003: 1,427,042) ordinary shares that it owns which are not allocated to employees. The Computacenter Trustees Limited have waived dividends in respect of 457,796 (2003: 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 927,640 (2003: 1,031,134) 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 £44,854,000 (2003: £46,304,000) and on 186,441,000 (2003: 184,853,000) 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 £44,854,000 (2003: £46,304,000) and on 188,979,000 (2003: 188,610,000) ordinary shares, calculated as the basic weighted average number of ordinary shares, plus 2,537,346 (2003: 3,757,000) dilutive share options.

An additional earnings per share ratio of 25.1p was presented to provide a measure of Group operating activities, excluding the exceptional items. This additional earnings per share ratio is based on earnings of £47,496,000, which comprises the profit attributable to members of the holding Company of £44,854,000, excluding the exceptional loss of £2,642,000, and on 188,979,000 ordinary shares.

## 12 Intangible assets

	Goodwill	
	Positive £'000	Negative £'000
<i>Group</i>		
<b>Cost</b>		
At 1 January 2004 and 31 December 2004	<b>9,347</b>	8,521
<b>Amortisation</b>		
At 1 January 2004	4,592	7,989
Charge/credit in the year	281	532
At 31 December 2004	<b>4,873</b>	8,521
<b>Net book value</b>		
At 31 December 2004	<b>4,474</b>	–
At 31 December 2003	4,755	532

The Group has amortised its acquired positive goodwill on a straight line basis over a period of the estimated useful economic life. 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
<i>Company</i>	
<b>Cost</b>	
At 1 January 2004 and 31 December 2004	<b>169,737</b>
<b>Amortisation</b>	
At 1 January 2004	16
Charge in the year	8,500
At 31 December 2004	<b>8,516</b>
<b>Net book value</b>	
At 31 December 2004	<b>161,221</b>
At 31 December 2003	169,721

Intellectual property is amortised over its useful life of 20 years.

# Notes to the financial statements

continued

## 13 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold property and improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
<i>Group</i>				
<b>Cost</b>				
At 1 January 2004	66,962	20,133	95,731	182,826
Additions	998	993	12,217	14,208
Disposals	(1,392)	(6,266)	(14,248)	(21,906)
Exchange adjustments	–	80	165	245
At 31 December 2004	66,568	14,940	93,865	175,373
<b>Depreciation</b>				
At 1 January 2004	9,990	9,219	63,068	82,277
Charge for the year	3,043	2,615	12,724	18,382
Disposals	(195)	(5,993)	(12,947)	(19,135)
Exchange adjustments	–	116	303	419
At 31 December 2004	12,838	5,957	63,148	81,943
<b>Net book value</b>				
At 31 December 2004	53,730	8,983	30,717	93,430
At 31 December 2003	56,972	10,914	32,663	100,549

The majority of the disposals in the year relate to a number of old assets that had been fully depreciated.

	Freehold land and buildings £'000
<i>Company</i>	
<b>Cost</b>	
At 1 January 2004 and 31 December 2004	42,350
<b>Depreciation</b>	
At 1 January 2004	5,709
Charge for the year	1,616
At 31 December 2004	7,325
<b>Net book value</b>	
At 31 December 2004	35,025
At 31 December 2003	36,641

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

	Fixtures, fittings, equipment and vehicles	
	2004 £'000	2003 £'000
<i>Group</i>		
<b>Cost</b>		
At 1 January 2004	1,164	1,164
Additions	206	–
Disposals	(1,164)	–
At 31 December 2004	206	1,164
<b>Depreciation</b>		
At 1 January 2004	732	255
Charge for the year	272	477
Disposals	(953)	–
At 31 December 2004	51	732
<b>Net book value</b>	155	432



## 14 Investments

	2004 £'000	2003 £'000
<i>Group</i>		
Loan to joint venture (a)	5,648	7,450
Associated undertakings (b)	373	539
Other listed investments (c)	–	3,047
	<b>6,021</b>	<b>11,036</b>

(a) Loan to joint venture

	£'000
<b>Cost</b>	
At 1 January 2004 and 31 December 2004	<b>7,450</b>
<b>Provision</b>	
At 1 January 2004	–
Charge in the year	1,802
At 31 December 2004	<b>1,802</b>
<b>Net book value</b>	
At 31 December 2004	<b>5,648</b>
At 31 December 2003	7,450

(b) Associated undertakings

	Share of net tangible assets £'000
At 1 January 2004	<b>510</b>
Increase in investment	110
Dividend received	(509)
Share of profit of associated undertaking	266
Exchange adjustments	(4)
At 31 December 2004	<b>373</b>

(c) Other listed investments

	£'000
<b>Cost</b>	
At 1 January 2004	4,617
Disposal	(4,617)
At 31 December 2004	–
<b>Provision</b>	
At 1 January 2004	1,573
Disposal	(1,573)
At 31 December 2004	–
<b>Net book value</b>	
At 31 December 2004	–
At 31 December 2003	3,047

# Notes to the financial statements

## continued

### 14 Investments continued

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Shares in joint venture £'000	Other listed investments £'000	Total £'000
<b>Cost</b>					
At 1 January 2004	<b>198,103</b>	<b>16,266</b>	<b>25</b>	<b>4,617</b>	<b>219,011</b>
Additions	9,721	1,102	–	–	10,823
Disposal of investment	–	–	–	(4,617)	(4,617)
Repayment to receive	(32,449)	–	–	–	(32,449)
Repaid	–	(12)	–	–	(12)
At 31 December 2004	<b>175,375</b>	<b>17,356</b>	<b>25</b>	<b>–</b>	<b>192,756</b>
<b>Amounts provided</b>					
At 1 January 2004	31,925	2,754	–	1,570	36,249
During the year	2,318	–	–	–	2,318
Disposal	–	–	–	(1,570)	(1,570)
At 31 December 2004	<b>34,243</b>	<b>2,754</b>	<b>–</b>	<b>–</b>	<b>36,997</b>
<b>Net book value</b>					
At 31 December 2004	<b>141,132</b>	<b>14,602</b>	<b>25</b>	<b>–</b>	<b>155,759</b>
At 31 December 2003	166,178	13,512	25	3,047	182,761

Details of the principal investments at 31 December 2004 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%
Computacenter Holding GmbH	Germany	IT infrastructure services	100%
Computacenter GmbH	Germany	IT infrastructure services	100%
CC Managed Services 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	41.67%
HelpByCom GmbH	Germany	IT infrastructure services	49%**
ICG Services Limited	England	International IT Infrastructure services	100%***

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

\*\* Includes indirect holdings of 49% via Computacenter Holding GmbH.

\*\*\* Includes indirect holdings of 35.7% via Computacenter Holding GmbH.

During the period CC CompuNet was renamed Computacenter Germany.

## 14 Investments continued

### Update on acquisitions – Germany and Austria

On 2 January 2003, the Group acquired the trade and assets of GE CompuNet in Germany and GECITS in Austria for an initial consideration of £38,134,000.

There has been no change in the circumstances that has resulted in a change to the Board's view of the value of goodwill to the Group.

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 £4,683,000. 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, taking account of the proceedings to date, and is still of the view 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 2004.

### Update on 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 (£36,892,000), plus interest, for upfront payment for the tax assets as opposed to payment as the assets are utilised. The Group rejects this adjustment 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	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)	(4,948)	(137,652)
Creditors due after one year	–	(2,690)	(2,690)
Provisions for liabilities and charges	–	(9,135)	(9,135)
	21,153	(16,470)	4,683
Discharged by:			
Fair value of net consideration			4,683
Goodwill arising on acquisition			–

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

# Notes to the financial statements

continued

## 15 Stocks

	Group 2004 £'000	Group 2003 £'000
Goods held for resale	<b>120,087</b>	134,133

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

## 16 Debtors

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Trade debts factored without recourse				
– Gross debts	<b>82,097</b>	108,186	–	–
– Less non-returnable proceeds	<b>(39,043)</b>	(78,390)	–	–
	<b>43,054</b>	29,796	–	–
Other trade debtors	<b>321,750</b>	325,320	–	–
Amount owed by subsidiary undertaking	–	–	<b>90,000</b>	90,000
Other debtors	<b>40,664</b>	35,694	<b>34,219</b>	187
Prepayments and accrued income	<b>55,797</b>	48,186	–	–
Deferred tax	<b>1,433</b>	3,315	–	–
	<b>462,698</b>	442,311	<b>124,219</b>	90,187

Trade debts factored without recourse represent a proportion of the debts of the Group's French subsidiary. Under the terms of the arrangement certain trade debts are sold to the factor, who in turn advances cash payments in relation to these debts. 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 £1,266,000 (2003: £720,000) and the administration expenses of the scheme were £478,000 (2003: 284,000).



## 17 Creditors: amounts falling due within one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank overdrafts	58,637	46,535	–	–
Obligations under finance leases and hire purchase contracts (see note 19)	172	211	–	–
Trade creditors	178,752	207,145	–	–
Corporation tax	11,927	5,801	1,109	484
Other taxation and social security costs	43,671	29,740	–	–
Amounts owed to subsidiary undertakings	–	–	184,894	170,777
Accruals	88,920	89,915	103	1,557
Deferred income	90,665	78,179	–	–
Dividend payable	9,828	9,290	9,828	9,290
	482,572	466,816	195,934	182,108

## 18 Creditors: amounts falling due after more than one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Loans (see note 20)	326	326	–	–
Deferred income	1	10,907	80,704	89,704
Other creditors	2,690	2,690	–	–
	3,017	13,923	80,704	89,704

## 19 Amounts due under finance leases and hire purchase contracts

	2004 £'000	2003 £'000
<i>Group</i>		
Amounts payable:		
Within one year	172	211

# Notes to the financial statements

continued

## 20 Loans

	Group 2004 £'000	Group 2003 £'000
Loans comprise:		
Wholly repayable within five years	326	326
Analysed as amounts due:		
Between one and two years	326	326

The loan due between one and two years comprises an amount of £326,000 relating to the Executive Share Option Scheme.

## 21 Provisions for liabilities and charges

### (a) Provision for joint venture deficit

	£'000
<i>Group</i>	
At 1 January 2004	7,224
Share of loss retained by joint venture	411
Deemed disposal on dilution of shareholding	(1,516)
At 31 December 2004	6,119

### (b) Other provisions

	Property provisions £'000	Deferred taxation £'000	Total £'000
<i>Group</i>			
At 1 January 2004	16,735	1,668	18,403
Arising in the year	693	–	693
Utilised	(653)	–	(653)
Capital allowances in advance of depreciation	–	(213)	(213)
Exchange adjustments	816	–	816
At 31 December 2004	17,591	1,455	19,046

Property provisions are based on the Directors' best estimates of the likely time before the relevant leases can be reassigned and range between 2 years and 12 years. The provisions in relation to the UK properties are discounted at a rate based upon the Bank of England base rate. Those in respect of the European Operations are discounted at a rate based on Euribor.

	Deferred taxation £'000
<i>Company</i>	
At 1 January 2004	1,538
Capital allowances in advance of depreciation	(83)
At 31 December 2004	1,455

There are no potential deferred tax liabilities at 31 December 2004 (2003: nil). Note 9 (c) details those assets which have not been provided for.

## 22 Share capital

	2004 £'000	2003 £'000
<i>Authorised</i>		
<b>Equity</b>		
Ordinary shares of 5p each	<b>25,000</b>	25,000

	2004 No '000	2004 £'000	2003 No '000	2003 £'000
<i>Allotted, called up and fully paid</i>				
<b>Equity</b>				
Ordinary shares of 5p each	<b>189,790</b>	<b>9,489</b>	188,822	9,441

### Options

#### Executive Share Option Scheme

During the year, options were exercised with respect to 119,000 (2003: 4,067,800) 5p ordinary shares at a nominal value of £5,950 (2003: £203,000) and at an aggregate premium of £311,050 (2003: £2,482,000).

Under the Computacenter Employee Share Option Scheme 1998 and the Computacenter Services Group Executive Share Scheme, options in respect of 237,000 shares lapsed and new options were granted over 1,324,205 shares. The numbers of shares under options outstanding at the year-end comprise:

Date of grant	Exercisable between	Exercise price	2004 Number outstanding	2003 Number outstanding
09/04/1996	09/04/1999 – 08/04/2006	41.25p	<b>150,000</b>	150,000
31/07/1997	31/07/2000 – 30/07/2007	160.00p	<b>539,700</b>	609,700
16/03/1998	16/03/2001 – 15/03/2008	300.00p	<b>427,400</b>	467,900
01/04/1999	01/04/2002 – 31/03/2009	565.00p	<b>115,578</b>	125,003
05/05/1999	05/05/2002 – 04/05/2009	565.00p	<b>244,400</b>	277,983
24/08/1999	24/08/2002 – 23/08/2009	565.00p	<b>8,849</b>	22,573
24/08/1999	24/08/2003 – 23/08/2009	565.00p	<b>13,724</b>	13,724
27/09/2000	27/09/2003 – 26/09/2010	380.00p	<b>997,139</b>	1,134,138
27/09/2000	27/09/2004 – 26/09/2010	380.00p	<b>256,665</b>	256,665
27/09/2000	27/09/2005 – 26/09/2010	380.00p	<b>256,665</b>	256,665
20/03/2001	20/03/2004 – 19/03/2011	333.50p	<b>158,995</b>	158,995
20/03/2001	20/03/2005 – 19/03/2011	333.50p	<b>150,000</b>	150,000
20/03/2001	20/03/2006 – 19/03/2011	333.50p	<b>200,000</b>	200,000
19/09/2001	19/09/2004 – 18/09/2011	245.00p	<b>100,000</b>	100,000
19/09/2001	19/09/2005 – 18/09/2011	245.00p	<b>50,000</b>	50,000
19/09/2001	19/09/2006 – 18/09/2011	245.00p	<b>50,000</b>	50,000
10/04/2002	10/04/2005 – 09/04/2012	322.00p	<b>852,482</b>	864,482
10/04/2002	10/04/2005 – 09/04/2012	331.00p	<b>66,000</b>	66,000
11/10/2002	11/10/2005 – 10/10/2012	220.00p	<b>85,000</b>	85,000
21/03/2003	21/03/2006 – 20/03/2013	266.50p	<b>1,261,000</b>	1,275,000
02/04/2004	02/04/2007 – 01/04/2014	424.00p	<b>1,236,000</b>	–
14/10/2004	14/10/2007 – 13/10/2014	311.50p	<b>64,205</b>	–
			<b>7,283,802</b>	6,313,828

# Notes to the financial statements

continued

## 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 Group's underlying performance. During the year options over 283,017 shares were granted, no options were exercised and none lapsed. At 31 December 2004 the number of shares under outstanding options were as follows:

Date of grant	Exercisable between	Exercise price	2004 Number outstanding	2003 Number outstanding
20/03/2001	20/03/2004 – 19/03/2011	333.50p	<b>84,708</b>	84,708
10/04/2002	10/04/2005 – 09/04/2012	322.00p	<b>280,666</b>	280,666
21/03/2003	21/03/2006 – 20/03/2013	266.50p	<b>433,863</b>	433,863
21/03/2003	21/03/2007 – 20/03/2013	266.50p	<b>200,000</b>	200,000
02/04/2004	02/04/2007 – 01/04/2014	424.00p	<b>283,017</b>	–
			<b>1,282,254</b>	999,237

### Computacenter Sharesave Scheme

The Company operates a Sharesave Scheme which is available to all employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. All options granted to UK employees under this scheme are satisfied at exercise by way of a transfer of shares from the Computacenter Qualifying Employee Share Trust. In the case of options granted to employees based overseas, all option exercises are satisfied by new issue shares. During 2004, options over 2,988 shares were exercised by overseas employees and satisfied by new issue shares. Under the scheme the following options have been granted and are outstanding at the year end:

Date of grant	Exercisable between	Share price	2004 Number outstanding	2003 Number outstanding
August 1998	01/09/2003 – 28/02/2004	670.00p	–	6,484
September 1998	01/12/2003 – 31/05/2004	425.00p	–	159,778
September 1999	01/12/2004 – 31/05/2005	565.00p	<b>8,533</b>	9,905
September 2000	01/12/2003 – 31/05/2004	435.00p	–	5,916
September 2000	01/12/2005 – 31/05/2006	435.00p	<b>3,101</b>	3,101
January 2001	01/02/2004 – 31/07/2004	350.00p	–	132,280
January 2001	01/02/2006 – 31/07/2006	350.00p	<b>61,246</b>	77,858
October 2001	01/12/2004 – 31/05/2005	185.00p	<b>315,689</b>	1,171,308
October 2001	01/12/2006 – 31/05/2007	185.00p	<b>517,498</b>	577,073
October 2002	01/12/2005 – 31/05/2006	220.00p	<b>631,789</b>	703,504
October 2002	01/12/2007 – 31/05/2008	220.00p	<b>494,160</b>	555,967
October 2002	01/12/2007 – 31/05/2008	225.00p	<b>41,322</b>	62,346
October 2003	01/12/2006 – 31/05/2007	395.00p	<b>468,297</b>	584,538
October 2003	01/12/2008 – 31/05/2009	395.00p	<b>225,833</b>	278,617
October 2003	01/12/2008 – 31/05/2009	417.00p	<b>9,165</b>	9,803
October 2004	01/12/2007 – 31/05/2008	335.00p	<b>595,176</b>	–
October 2004	01/12/2008 – 31/05/2009	316.00p	<b>14,956</b>	–
October 2004	01/12/2009 – 31/05/2010	335.00p	<b>216,652</b>	–
			<b>3,603,417</b>	4,338,478

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
<i>Group</i>							
At 1 January 2003	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
Shares issued	48	2,434	–	–	–	–	2,482
Total recognised gains in the year	–	–	–	–	–	43,943	43,943
Equity dividends	–	–	–	–	–	(14,101)	(14,101)
At 31 December 2004	<b>9,489</b>	<b>73,920</b>	<b>100</b>	<b>(2,503)</b>	<b>–</b>	<b>234,086</b>	<b>315,092</b>
<i>Company</i>							
At 1 January 2003	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
Shares issued	48	2,434	–	–	–	–	2,482
Total recognised gains in the year	–	–	–	–	–	3,834	3,834
Equity dividends	–	–	–	–	–	(14,101)	(14,101)
At 31 December 2004	<b>9,489</b>	<b>73,920</b>	<b>100</b>	<b>–</b>	<b>55,990</b>	<b>58,684</b>	<b>198,183</b>

The cumulative amount of goodwill resulting from acquisitions which has been written off directly to reserves is £79,469,000 (2003: £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 (2003: 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.

The definition of beneficiaries under the ESOP Trust includes 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.

# Notes to the financial statements

continued

## 23 Reconciliation of shareholders' funds and movements on reserves continued

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

During the year the Quest used the proceeds from UK sharesave option exercises to subscribe for 845,812 new 5p ordinary shares. The total shares held are 927,640 (2003: 1,031,134). 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 2004 was £2,699,000. 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 Share Plan. As at the year-end date the total number of shares held by Computacenter Trustees Limited was 457,796 (2003: 457,796) shares of which nil (2003: nil) shares are allocated against the Bonus Plus awards and 457,796 (2003: 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

	2004 £'000	2003 £'000
Operating profit	65,743	65,938
Depreciation	18,382	22,665
Amortisation of positive goodwill	281	544
Impairment of positive goodwill	–	46
Amortisation of negative goodwill	(532)	(4,261)
Revaluation of listed investment	–	(292)
Loss on disposal of fixed assets	804	914
Profit on disposal of investment	(1,603)	–
Dividend received from associate	509	–
Increase in debtors	(23,081)	(16,963)
Decrease/(increase) in stocks	14,278	(4,908)
Decrease in creditors	(13,532)	(8,432)
Currency and other adjustments	(929)	(1,730)
Net cash inflow from operating activities	60,320	53,521

## 25 Analysis of gross cash flows

	2004 £'000	2003 £'000
<b>Returns on investments and servicing of finance</b>		
Interest received	4,359	3,249
Interest paid	(3,439)	(4,203)
Dividend received	23	–
Net cash inflow/(outflow) for returns on investments and servicing of finance	943	(954)

	2004 £'000	2003 £'000
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(14,208)	(14,112)
Receipts from sales of tangible fixed assets	1,967	–
Receipt from sale of investment	4,650	–
Investment in joint venture	–	(450)
Net cash outflow for capital expenditure and financial investment	(7,591)	(14,562)

## 25 Analysis of gross cash flows continued

	2004 £'000	2003 £'000
<b>Acquisitions and disposals</b>		
Payments to acquire interest in subsidiary undertakings	–	(36,883)
Receipt from sale of shares in associates	–	130
Payment to acquire business	–	(550)
Net cash outflow for acquisitions and disposals	–	(37,303)
	2004 £'000	2003 £'000
<b>Financing</b>		
Issue of ordinary share capital	2,482	2,686
Net repayment of capital element of finance leases	(39)	(479)
Net cash inflow from financing	2,443	2,207

## 26 Analysis of changes in net funds

	At 1 January 2004 £'000	Cash flows in year £'000	Exchange differences £'000	At 31 December 2004 £'000
Cash at bank and in hand	96,997	42,169	16	139,182
Bank overdrafts	(46,535)	(11,937)	(165)	(58,637)
	50,462	30,232	(149)	80,545
Finance leases	(211)	39	–	(172)
Debt due after one year	(326)	–	–	(326)
Total	49,925	30,271	(149)	80,047

## 27 Other financial commitments

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

	2004 Land/buildings £'000	2004 Other £'000	2003 Land/buildings £'000	2003 Other £'000
<i>Group</i>				
Operating leases that expire:				
Within one year	920	9,368	1,970	10,673
Between two and five years	5,328	17,780	6,692	15,359
Over five years	5,974	–	6,262	104
	12,222	27,148	14,924	26,136

# Notes to the financial statements

continued

## 28 Capital commitments

At both 31 December 2003 and 31 December 2004 all future contracted Group capital expenditure had been provided for.

## 29 Contingent liabilities

The Group has given a VAT deferred import duty guarantee of £nil (2003: £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 £25,093,000 (2003: £25,828,000).

Computacenter plc has given a guarantee in the normal course of business to a customer of a subsidiary undertaking for an amount not exceeding £14,569,000 (2003: £nil).

Computacenter plc has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December 2004 is £32,496,000 (2003: £17,000,000).

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 £484,000 (2003: £1,751,000). Both PJ Ogden and PW Hulme are directors of and have a material interest in Lowkin Limited.

During the year Biomni issued new shares which were subscribed for by PJ Ogden and PW Hulme. As a result of this, Computacenter's shareholding in Biomni was reduced to 41.7% by the year end.

During the year, the Group supplied goods to Lowkin in the normal course of business totalling £26,930 (2003: £3,800).

At 31 December 2004 Lowkin owed the Group £5,156 (2003: £nil).

## 31 Financial instruments

The Group's approach to managing financial risk is described in the Finance Director's review on pages 10 to 13.

### (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
2004			
Sterling	9,023	172	9,195
Euro	67,530	2,691	70,221
Dollar	–	–	–
	76,553	2,863	79,416

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

### 31 Financial instruments continued

The financial liabilities of the Group comprise:

	2004 £'000	2003 £'000
Other borrowings	58,963	46,861
Finance leases	172	211
Other creditors due after one year	2,690	2,690
Property provisions	17,591	16,735
	<b>79,416</b>	<b>66,497</b>

#### 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
<i>2004</i>			
<i>Financial assets</i>			
Sterling	136,419	52	136,471
Euro	2,269	190	2,459
Dollar	153	99	252
	<b>138,841</b>	<b>341</b>	<b>139,182</b>

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

The financial assets of the Group comprise:

	2004 £'000	2003 £'000
Cash and deposits	139,182	96,997
Long-term equity investments	–	3,046
	<b>139,182</b>	<b>100,043</b>

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.



# Notes to the financial statements

continued

## 31 Financial instruments continued

### (b) Currency exposure

As described in note 14, the Group has recognised a debtor of €52,165,292 in respect of the acquisition made in the previous 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.

To mitigate foreign currency risk, material contracted transactional amounts not denominated in local currencies of Group companies are hedged by means of forward contracts. At 31 December the Group held open various forward foreign currency contracts as follows:

	Buy currency	Sell currency	Value of contracts	Contract rates
<b>2004</b>				
UK				
	Euros	Sterling	€60,662,000	1.452 – 1.484
	Dollars	Sterling	\$2,300,000	1.921 – 1.945
	Sterling	Dollars	£363,278	1.927 – 1.927
Germany				
	Dollars	Euros	\$5,125,000	1.328 – 1.361
France				
	Dollars	Euros	\$1,400,000	1.230 – 1.230

	Buy currency	Sell currency	Value of contracts	Contract rates
<b>2003</b>				
UK				
	Euros	Sterling	€10,610,000	1.404 – 1.415
	Dollars	Sterling	\$2,200,000	1.742 – 1.750
	Dollars	Euros	\$8,800,000	1.223 – 1.239

### (c) Maturity of financial liabilities

	<b>2004</b> <b>£'000</b>	2003 £'000
In one year or less, or on demand	<b>61,166</b>	48,176
In more than one year but not more than two years	<b>4,577</b>	4,446
In more than two years but not more than five years	<b>5,140</b>	4,361
In more than five years	<b>8,533</b>	9,514
	<b>79,416</b>	66,497

### 31 Financial instruments continued

#### (d) Undrawn committed borrowing facilities

The Group has various available borrowing facilities. The undrawn committed facilities available at 31 December 2004 in respect of which all conditions precedent had been met were £58,894,000 (2003: £13,896,000). All of these facilities are subject to annual review.

#### (e) Fair value of financial instruments

	2004 Book value £'000	2004 Fair value £'000	2003 Book value £'000	2003 Fair value £'000
Interests in equities	–	–	3,046	3,046
Cash and deposits	139,182	139,182	96,997	94,242
Other borrowings	59,135	59,135	47,072	47,072
Other creditors due after one year	2,690	2,690	2,690	2,690
Property provisions	17,591	17,591	16,735	16,735
Forward foreign currency contracts	–	1,949	–	(75)
	<b>79,416</b>	<b>81,365</b>	66,497	66,497

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

The Group has taken advantage of the exemption under FRS13 to not include short-term debtors and creditors within the numerical disclosures.

### 32 Post balance sheet event

The disposal of Computacenter Austria to S&T System Integration & Technology Distribution AG was expected to complete during March 2005, for a consideration of €1,080,000. This has resulted in the Group taking an exceptional charge in its 2004 result of £2,356,000. S&T will become Computacenter's International Partner for service delivery in Austria and other countries across Central and Eastern Europe.

On 31 January 2005 the Group's holding in its joint venture was further diluted to 38.5% following a new share issue by Biomni. PJ Ogden and PW Hulme subscribed for these new shares.

## Five year financial review

	2000 £m	2001 £m	Year ended 31 December		2004 £m
			2002 £m	2003 £m	
Turnover	1,988.4	2,093.4	1,926.7	2,481.3	<b>2,455.8</b>
Operating profit	61.4	55.1	56.2	65.9	<b>65.7</b>
Profit on ordinary activities before taxation	55.6	34.9	55.1	65.2	<b>64.6</b>
Profit on ordinary activities after taxation	39.2	19.1	37.0	46.3	<b>44.8</b>
Diluted earnings per share (excluding exceptional items)	20.8p	17.9p	19.3p	24.6p	<b>25.1p</b>
Year-end headcount	5,788	5,894	6,022	9,716	<b>9,838</b>

## Summary balance sheet

	2000 £m	2001 £m	Year ended 31 December		2004 £m
			2002 £m	2003 £m	
Intangible assets	6.2	8.0	0.2	4.2	<b>4.5</b>
Tangible assets	109.4	103.5	96.7	100.6	<b>93.4</b>
Investments	11.8	13.5	12.4	11.0	<b>6.0</b>
Stocks	119.6	95.4	95.7	134.1	<b>120.1</b>
Debtors	339.6	295.8	286.9	442.3	<b>462.7</b>
Cash	71.6	109.7	92.1	97.0	<b>139.2</b>
Creditors due within one year	(410.0)	(395.7)	(328.5)	(466.8)	<b>(482.6)</b>
Creditors due after one year	(39.5)	(2.0)	(1.6)	(13.9)	<b>(3.0)</b>
Provisions	(4.5)	(6.2)	(8.6)	(25.6)	<b>(25.2)</b>
Net assets	204.2	222.0	245.3	282.9	<b>315.1</b>

## Financial calendar

Annual General Meeting:	28 April 2005
Final dividend record date:	6 May 2005
Final dividend payment date:	31 May 2005
Interim results 2005 announcement date:	8 September 2005
Interim dividend record date:	16 September 2005
Interim dividend payment date:	14 October 2005

# Corporate information

## Board of Directors:

Ron Sandler (Executive Chairman)  
Mike Norris (Chief Executive)  
Tony Conophy (Finance Director)  
Nick Cosh (Senior Independent 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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