

Computacenter Annual Report and Accounts 2002

Company Registration Number: 3110569

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In 2002 Computacenter made excellent progress, growing its contracted services business, controlling costs and extending its market leadership. With its German acquisition, the Group has now achieved leading positions in Europe's three largest markets.

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Group at a glance

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

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

Coverage

Highlights 2002

	2002 £million	2001 £million
Group revenue	£1,926.7	£2,093.4
Group operating profit ¹	£56.2	£55.1
Profit before tax ²	£54.2	£51.1
Diluted earnings per share ³	19.3p	17.9p
Year-end Group employee numbers	6,022	5,894

¹ Excluding results of associated undertakings and joint ventures.

² Calculated as profit before tax excluding non-operating exceptional items.

³ 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 business value of their IT expenditure.

We advise

We offer our customers trusted advice on such matters as the planning and design of IT infrastructures, or the choice of specific technologies. We are able to assist in preparing a business justification, specifying and testing a solution, and providing ongoing advice on how to optimise availability and performance. Our Solutions Centre has added significantly to our depth of service in this area, enabling us to compare different technology solutions for our customers in an off-site test environment.

We implement

We procure, configure and deliver a wide range of IT products across multiple platforms, and with our consultancy and project management expertise we can ensure successful integration with the customer's existing technology. Typical

projects include major technology roll-outs across multiple locations, consolidating widely dispersed IT infrastructures, implementing local or remote hosted environments and optimising our customers' security, application, network and storage platforms.

We manage

We help our customers minimise the technology management burden by managing elements of their infrastructures on their behalf. Our outsourcing services range from managing on-site or centralised help desks, through responsibility for all large-scale infrastructure moves and changes, to the provision of ongoing technology support, including remote monitoring and intervention services. Computacenter ensures high standards of service by committing to contracted service levels agreed with the customer.

Chairman's statement

Ron Sandler

"The progress that Computacenter is making towards becoming a fully integrated infrastructure services provider is clearly evident."

Computacenter made excellent progress in 2002. Against a background of subdued markets for corporate IT expenditure, the Group delivered good profit growth, despite lower revenues. This result demonstrates Computacenter's effectiveness in controlling costs and maintaining high levels of staff utilisation. It also reflects the considerable investment in recent years to develop our services capabilities, the fruits of which were clearly evident in the course of the year.

The difficult trading conditions encountered in the second quarter of 2001 persisted throughout 2002, and Computacenter's revenues declined by 8.0% to £1.9 billion. However, profit before tax, excluding non-operating exceptional items, grew to £54.2 million (2001: £51.1 million), and to £55.1 million (2001: £34.9 million) including non-operating exceptional items. Diluted earnings per share, excluding non-operating exceptional items, were 19.3p (2001: 17.9p).

The Group continued to generate cash, with net funds at the year-end of £83.4 million (2001: £53.3 million). In November, Computacenter repaid the outstanding balance of £38.3 million on the 1995 bond, and we now have no long-term borrowings.

During the year Computacenter purchased 2,005,000 of its own shares for cancellation at a total cost of £4.6 million.

I am pleased to recommend a doubling of the final dividend to 5.8p per share (2001: 2.9p), at which level the dividend cover would be 3.5 times. The Board recently reviewed its dividend policy and concluded that, given the strong cash position and likely future cash generative characteristics of Computacenter, such an increase was warranted. Looking ahead, it would be the Board's intention to maintain dividend cover at broadly this level. The dividend will be paid on 30 May 2003 to shareholders on the register as at 2 May 2003.

Computacenter's management deserves considerable credit for the Group's performance in 2002. Overheads in the business were tightly controlled, particularly in the UK where indirect headcount was reduced by more than 230 over the course of the year. This was achieved without recourse to any exceptional charges. The introduction of new systems and disciplines ensured that professional services staff utilisation levels were high throughout 2002.

For several years, the principal thrust of Computacenter's strategy has been to

develop the services side of the business to complement the core product logistics activities. We are now beginning to see evidence of real progress here. In the UK, managed services and professional services revenues grew by 16.4% and 13.0% respectively, and both activities contributed significantly to the overall financial performance. Unquestionably, the highlight of the year in managed services was the award of the BT desktop outsource, a five-year contract covering over 100,000 seats which is understood to be the largest desktop outsourcing contract ever awarded in Europe. This is a major achievement for the Group, and testifies to the expertise and credibility that we have developed in this area.

The progress that Computacenter is making towards becoming a fully integrated infrastructure services provider is clearly evident. We continue to invest significantly in services development, and in enhancing our tool suite and technologies to support the services offerings. A considerable effort has also been made to upgrade the skills and improve the processes within the organisation to ensure consistent, effective and profitable services delivery. As a result of these developments, Computacenter in 2002 was able to undertake services contracts of increasing scope and

complexity. With the demand for services, particularly of an outsourcing nature, forecast to remain strong, we remain confident in our chosen strategy and our ability to implement it.

Computacenter's performance in France was somewhat disappointing. Although revenues grew strongly by 20.7%, operating profit declined to £2.4 million (2001: £6.4 million) after the release of negative goodwill, largely reflecting the challenges of integrating the GE Capital IT Solutions (GECITS) business in France, acquired in February 2002. We are making good progress with the integration and, looking ahead, we anticipate an improvement in the profitability of Computacenter France.

In November, we announced the proposed acquisition of GE CompuNet in Germany and GECITS Austria for a consideration of £36.5 million, with a further payment of up to £41.0 million in 2005 subject to the achievement of certain profit performance targets. Both transactions were completed in early January 2003. These acquisitions, and particularly that of GE CompuNet (now renamed CC CompuNet), are of major strategic significance to Computacenter. We are now the market leader in the UK and Germany, and number two in France,

an unrivalled position in the three largest European economies. We see a growing trend towards pan-Europeanism in the IT infrastructure market, particularly as regards vendor behaviour and an increasing harmonisation of market structures and practices. Whilst a truly integrated pan-European market is still some way off, Computacenter is now extremely well positioned to benefit from this trend. We are already beginning to exploit opportunities to share best practices and resources across our European network.

Whilst it is too early to predict performance in 2003, we believe that Computacenter is well positioned to produce profit growth over 2002.

Computacenter's performance rests, as always, on the efforts and capabilities of our staff. A devotion to customer service is central to our success, and we are fortunate to have an organisation of employees who demonstrate this attribute time and again. I offer my thanks to all Computacenter staff for their enthusiasm, commitment and hard work.

Ron Sandier
Chairman

Chief Executive's review Mike Norris

"The desire of customers to improve the cost effectiveness of their IT management helped drive Computacenter's managed services growth in the UK."

UK

The desire of customers to improve the cost effectiveness of their IT management helped drive Computacenter's managed services growth in the UK, where our contract base grew 38.6%, compared with 19.9% in 2001.

As a result of winning the BT desktop services contract early in the year, some 350 former BT staff transferred to Computacenter under TUPE regulations. The award of this contract reflects the investment we have made in developing our outsourcing capabilities. We are continuing to pursue a strategy of growth in our managed services activities to achieve economies of scale, raise barriers to entry and secure our competitive advantage.

Additionally, in 2002 we won major managed service contracts with BAA and Hays. For BAA we will provide HP technology, together with hardware support and the management of moves and changes. The five-year contract covers approximately 10,000 seats, mostly at Gatwick and Heathrow airports. Our three-year contract with Hays includes technology supply, hardware support and technical consultancy.

Other managed services successes included wins at HBOS, the UK Government's Environment Agency, JPMorgan Chase and North Yorkshire County Council, as well as contract extensions with such customers as Thus and Scottish Power.

To support our managed services growth, we continued to invest in the development of tools and processes, in particular the integrated Services Management Tool Suite (SMTS) that we use to track and manage user support requests. By deploying one or more SMTS components we have been able to improve service levels for many of our customers. A related investment has enabled us to streamline national handling of our customers' support calls, with e-mails and phone enquiries automatically routed to the analyst with the most appropriate skills or experience. By integrating this system with SMTS, we are confident in our ability to further improve service levels and drive down costs.

Hardware support services were an important focus in 2002. In the course of the year, we re-engineered our maintenance services to deliver greater efficiency, which contributed to a growth rate of 38.8%

in our maintenance contract base during the year. Successes included Cazenove, Royal Mail and the UK Atomic Energy Authority. Our pricing of support services incorporates the considerable body of information on relative failure rates that Computacenter has accumulated over many years of supporting a wide range of hardware, and this represents a significant source of competitive advantage.

Partly due to our continuing focus on improving internal processes and accountability, we saw higher professional services utilisation rates and a growth in professional services billing throughout 2002. This led to a professional services revenue growth of 13.0% over the previous year.

The increased adoption of the latest Microsoft technology by large organisations led to a number of major infrastructure standardisation projects. For example, we deployed a standard Microsoft Windows XP desktop environment for ChevronTexaco, as part of a major global upgrade of its IT infrastructure, and migrated 6,000 users and 500 servers at Nationwide Building Society to Windows 2000. In

the Government sector, we implemented a Windows 2000 desktop project roll-out for a new hospital with Swindon & Marlborough NHS Trust, for whom we will also provide hardware maintenance and other support services over a potential twelve-year term.

We were also awarded a three-year support contract for Nationwide's Sun enterprise servers, delivered a new IT infrastructure for the Greater London Authority (GLA) and won a contract for the design, build and implementation of a new Windows 2000 office deployment for Orange UK.

The opening of our Solutions Centre in early 2002 was an important development for Computacenter, allowing our customers to test their choice of technology before purchase, or verify the performance and scalability of new applications before deployment.

Market pressure was most evident in the product supply side of our business. Whilst product sales fared better throughout 2002 compared to the second half of 2001, we saw an overall year-on-year decline. Performance differed considerably across sectors. Throughout the year, sales to

government departments continued to grow, whilst financial services revenues continued to decline, particularly in investment banking. As our financial services business has a higher proportion of enterprise products and more demanding service levels, this change in mix had an overall adverse effect on UK margins.

Increased capacity at our Hatfield Operations Centre allowed us to expand the range of services we offer and the technologies we support. For example, Computacenter won a major technology refresh contract to support NCR's delivery of new point-of-sale devices to a large high street retailer. The contract includes survey, storage, build and installation services, together with the preparation and installation of over 1,500 back-end servers.

A significant development in our product re-sale business over the longer term was the merger, in May, of Compaq and HP, two of our major vendor partners. Computacenter is the UK market leader in Compaq products and we were pleased to see our share of their business grow still further in 2002. In view of our mutual reliance, we are working closely with the new HP management on forging

"Our European acquisitions give Computacenter leading positions in Europe's three largest markets and stronger pan-European positioning with key vendors."

the way ahead for our partnership. One early consequence of the merger is that Computacenter's historical Compaq volume has now moved to HP's payment terms, which substantially reduces credit days in return for early payment discounts.

Our recycling and re-marketing arm, RDC, continued to respond to our customers' growing need for the effective management of end-of-life IT equipment. In April, the company won the Queen's Award for Enterprise in Innovation for its unique service model, which provides organisations with a better return from their unwanted equipment and maximises the potential for recycling. RDC achieved an overall 58% increase in service revenues over the previous year.

CCD, our trade distribution business offering products and logistics services to resellers, maintained revenues comparable to the previous year, despite continuing market pressure. The business again retained leading market share with several major vendors, and we were only the second organisation in the UK to be appointed as an authorised HP-UX distributor by HP.

In 2002 Computacenter opened new UK offices in Newcastle and Belfast, with the aim of widening our national coverage and providing improved support to local offices of our larger managed services customers.

International

In November, we announced our intention to acquire GE CompuNet in Germany and GE Capital IT Solutions Austria. These transactions were subsequently completed on 2 January 2003, and both companies are now wholly-owned subsidiaries of Computacenter. GE CompuNet (now CC CompuNet) has a strong services element in its portfolio, which supports our strategy of growing our services base and building contracted revenue streams. Whilst both acquisitions are fundamentally sound businesses, we are confident that they will benefit considerably from the application of Computacenter's experience.

These transactions give Computacenter leading positions in Europe's three largest markets and a stronger pan-European positioning with key vendors. The combined businesses are able to share certain investments and best practices, and to develop common processes to

improve the scope, quality and cost-effectiveness of their offerings.

We believe the acquisitions will be marginally earnings enhancing in 2003 and will create shareholder value in the long-term.

France

Assisted by acquisition, our French operation saw 20.7% sales growth during 2002. However profit performance was disappointing, reflecting difficult market conditions and the costs of integrating the GECITS business following its acquisition in February 2002.

Service revenues grew 80.6% compared with the previous year and we won some significant new customers, including Ministère des Finances, Valéo and l'Oréal.

The acquisition of the GECITS business involved the transfer of some 350 employees and brought with it several major new accounts including Eurotunnel and Renault France Automobiles. As the business was loss-making on acquisition, the Group received a payment from the vendor to assist in the financing and development of the operation. The costs of restructuring amounted

"Throughout 2002 we maintained our focus on programmes designed to reduce our cost base and to leverage our resources more effectively."

to £3.2 million during the year, offset by a release of £3.7 million negative goodwill to operating profit.

Belgium and Luxembourg

Our results in Belgium and Luxembourg improved modestly in 2002 despite a decline in corporate spending adversely affecting our business, with product sales particularly affected in the first half. The second half showed an improvement, due to some major customer wins. These included Bridgestone Europe and Amcor, who selected Computacenter for a pan-European e-procurement service with centralised reporting.

We also won some major technology refresh projects, including Citibank Belgium, significant contract extensions for project and support services at Nestlé and UCB, and new CRM application roll-out projects with Carlsberg Importers and Schneider Electric subsidiaries.

Biomni

After performing ahead of budget in the first half of the year, our e-commerce joint venture, Biomni, saw a decline in spending on e-procurement applications in the second half.

Although Biomni has performed creditably against its competition, the market for e-procurement services has not grown in line with expectations. Consequently, Biomni has concentrated upon extending its offering into the managed services provider (MSP) marketplace, where the company has identified significant business opportunities. Computacenter will assume greater control over some of the e-commerce activities that have historically been managed on its behalf by Biomni, including CC Connect, through which customers can order products and services from Computacenter over the internet. Biomni continues to be a strategic supplier to Computacenter, and our 50% investment stake is unchanged.

Computacenter's share of Biomni's loss reduced to £1.3 million (2001: £2.2 million).

Organisation

Throughout 2002 we maintained our focus on programmes designed to reduce our cost base and to leverage our resources more effectively. As a result, over the second half of the year, we achieved a 11.5% reduction in sales, general and administration (SG&A) costs

to the UK business compared with the second half of 2001. Successful initiatives included the merger of our Retail Finance and City sectors into a single Financial Services operation, reflecting the smaller proportion of our revenues arising from investment banking and insurance. We continued to operate tight cash management disciplines and were successful in our efforts to maintain high levels of professional services utilisation.

We believe corporate and government organisations will continue to look to Computacenter to reduce their IT infrastructure costs and are confident that this, together with our focus on tightly controlled and effective operations, provides a sound platform for the future.

Mike Norris

Chief Executive Officer

In partnership

The following pages illustrate how we worked closely with five of our customers in 2002, understanding their issues and developing innovative solutions to help them reduce cost and realise value from technology.

Additional case studies, are available on our website
at www.computacenter.com/casestudies.

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-

Greater London Authority

The challenge

To provide a flexible, scalable and reliable IT infrastructure to underpin the current and future needs of the GLA, including various e-government initiatives. Manny Lewis, the GLA's Executive Director of Corporate Services, explains, "We didn't have the technical expertise in-house for such a roll-out – and, to be honest, neither should we expect to. We also had a tight window to complete the project, as the infrastructure had to be in place prior to the relocation to City Hall."

The solution

Computacenter assessed the functional requirements of the GLA, and tailored a solution to the authority's

needs. This included deploying six new Compaq DL380 servers to underpin the new email system and desktop environment, plus upgrading more than 500 desktops. Several applications and services were consolidated on to single machines, freeing up a number of servers and enabling the GLA to make more effective use of its IT infrastructure. The solution was thoroughly tested in a 'proof of concept' laboratory and then migrated over three weeks.

The benefits

Manny singles out the new infrastructure for praise. "There have been a lot of benefits, many of them hidden to users and the outside world. For example the IT team are finding it much easier to do fixes,

the network is more reliable and we expect to see a reduction in our IT support costs. The infrastructure also has the scalability and flexibility to enable us to progress our e-government programme."

Services provided

Technical consultancy, systems integration, project management, technology supply and systems engineering.

THUS plc

The challenge

THUS, one of the UK's leading providers of voice, data, internet and contact centre services, sought to reduce its IT operating costs while still retaining high-performance systems and customer service.

Bob Baxter, Architecture and Standards Manager, comments, "Not only do IT departments have to cope with the day-to-day management of their infrastructures, they also have to identify strategic ways to enhance the use of technology. Plus, there is a constant need to find ways to reduce the total cost of ownership of IT systems."

The solution

Computacenter was awarded a five-year contract for the end-to-end management of desktops and laptops, as well as THUS's file and print servers. "Computacenter was able to prove that it had the resourcing capacity and expertise to scale its services according to the needs of the business", says Bob Baxter. Computacenter is helping THUS standardise on Windows 2000.

The benefits

"We have already been able to reduce the number of helpdesk calls and support costs, by introducing

more remote fixing capabilities," comments Bob.

"Computacenter has successfully managed to reduce our IT costs, but at the same time helped us build an IT strategy that is stable and flexible, and can respond to the changing needs of the market."

Services provided

Managed desktop service, encompassing technology procurement and deployment, systems installation and support, and asset management.

Royal Mail

The challenge

With a third of its IT systems replaced every year, Royal Mail was keen to maximise the value of its aged assets. Also, with the imminent introduction of a new EU Environmental Directive, the company needed to ensure that all its IT equipment was recycled, and harmful materials were not discharged into the environment.

The solution

As part of the implementation of a standard operating environment, RDC (the total asset management business of Computacenter), helped the customer identify systems that could be refurbished for re-use, separate them from those

that could be re-sold and safely dispose of the remainder. Within a short while RDC was able to return enough money to the company from the re-sale of systems to cover the cost of disposing of the rest.

The benefits

"Not only have we turned disposal from an overhead into a revenue stream, but the ability to re-use old systems is exceptionally cost effective," says Paul Jopp, Infrastructure Deployment Manager for Royal Mail. "When you compare the cost of upgrading at £250 per system with the cost of replacement at around £650, you soon see the economic sense. We expect in future to see around one-third of each year's intake of new systems coming from RDC's

refurbishment of our 'old' systems. Not only does that help to reduce our acquisition budget significantly, it will really drive up our return on investment."

Services provided

Equipment refurbishment, re-sale of usable systems, re-cycling of hazardous components and asset management.

Bank of Ireland UK Financial Services

The challenge

To provide an optimum, end-to-end mortgage service, Bank of Ireland UK required the roll-out of an application to deal with the entire mortgage process, from requesting credit checks to providing formal offers. However, it needed to minimise business continuity risks during the implementation and, once the application was operational, ensure ongoing high availability.

The solution

Computacenter successfully designed, tested and deployed an infrastructure to underpin the new mortgage application, and provides an ongoing managed availability service. The infrastructure is

guaranteed 99.8% uptime during core business hours. This is achieved through the use of remote monitoring tools that continuously review the performance of all the key components and identify in advance any problems before they impact the business.

The benefits

Peter Stafford, Director of IS for Bank of Ireland UK, says, "With so much riding on its success, we did not want to have any risks around the technology, and so looked to Computacenter to help develop the platform, and then manage the ongoing availability of the infrastructure. We have been pleased with the results, and have suffered no outages."

Colin Halsall, Director of IS Bank of Ireland Personal Lending UK, adds, "The business benefits of the implementation are numerous. By enhancing the capacity, flexibility and scalability of our IT, we have been able to improve the efficiency of our lending services for the benefit of both the business and our customers."

Services provided

Technical consultancy, systems integration and engineering, project management, managed availability via remote monitoring, and technology supply.

SWIFT

The challenge

Over 7,000 financial institutions in 197 countries connect to one another through SWIFT, exchanging millions of messages, valued in trillions of dollars, every business day. To sharpen its focus on this core business, SWIFT wanted to provide a common, high level of support to its internal IT users across all geographies, through one point of contact. It also sought to reduce its IT support costs.

The solution

Computacenter provides SWIFT with IT helpdesk and related services within a global three-year contract. We provide a centralised IT user support desk in La Hulpe, Belgium, and desk-side support

teams in each country, which work under the service desk's control. The contract commits to service levels agreed with the customer and provides coverage 24 hours a day for 1,800 users in Europe, Asia Pacific and the USA.

The benefits

Werner Hellinckx, Head of MIS (Management of Internal Services) at SWIFT, comments, "Our agreement with Computacenter is a move away from SWIFT's traditional resourcing arrangements. With the service level agreements that Computacenter offers, we're able to provide the same level of service globally to all of our internal customers." Working to ITIL service management

best practice, Computacenter has both standardised and improved the level of service, while a contractual cost reduction plan has allowed SWIFT to reduce service costs on a year-by-year basis.

Services provided

Global 24x5 service desk, first and second-level incident and problem management, asset management and request management with desk-side services in Belgium, Netherlands, Hong Kong and USA.

Turnover and profitability

The results for this year reflect the general European downturn in IT spending, which resulted in Group turnover reducing by 8.0% to £1.9 billion. However unlike 2001, where there was a significant downturn in the second half of the year in comparison to the first half, both halves of 2002 were relatively similar in revenue terms (see table 1).

Pre-exceptional pre-tax profits increased by 6.1%, whereas post-exceptional pre-tax profits increased by 57.8%.

In 2001, the Group took two exceptional items. These related to the closure of the iGroup, which resulted in a non-operating exceptional charge of £3.1 million, and to the sale of our sub-scale German business to GE CompuNet, which resulted in a charge of £13.1 million. The structure of the German deal involved selling the operating business and customer contracts, with the Group being responsible for such items as collection of debtors and payment of creditors. We have been more successful than anticipated in recovery of these assets, resulting in a non-operating exceptional credit in 2002 of £0.9 million.

In recognition of the continued weak state of the product sales market, particularly in the UK, the Group has taken actions to reduce its overhead cost structure. This has made an important contribution to the overall resilience of the pre-tax profit. It is worthy of note that these cost reductions were achieved without resorting to exceptional charges in 2002.

Operating profits

Group operating profit increased by 2.0% to £56.2 million. However, including the share of the operating loss in Biomni, total Group operating profit increased by 3.9% to £54.9 million. Two notable points are:

- the Group share of the Biomni joint venture loss reduced from £2.2 million to £1.3 million and;
- the operating profit includes a charge of £4.7 million, which comprises £2.9 million goodwill impairment in our BeLux operations and £1.8 million impairment

to the carrying value of listed investments to current market value. Excluding the goodwill and market value adjustment, the underlying Group operating profit on continuing businesses increased by 2.2% from £59.6 million to £60.9 million.

In 2002, the UK represented almost 83% of Group revenues. H2 2002 revenue in the UK declined by 7.3% on H1. This reduction includes a fall in product sales of over 12% which, as last year, was mitigated by services revenue growth. It is particularly pleasing to note the continued services growth in 2002, with professional services and managed services revenues increasing by 13.0% and 16.4% respectively over the previous year. Lower product sales but increased service sales led to more consistent revenue from one half to the next, with operating profit margins in the UK increasing from 3.1% in H1 to 4.2% in H2.

In France, a revenue growth of 20.7% was encouraging, although this included the results of the acquired business of GE Capital IT Solutions SA (GECITS). We estimate that approximately half of this growth was organic. Operating profit was disappointing, reducing from £6.4 million in 2001 to £2.4 million, although this included, as anticipated, integration costs arising from the acquisition. The integration costs recorded were £3.2 million and losses were incurred on business transferred from the GECITS acquisition. Whilst it was possible to identify these losses in H1, which amounted to £0.8 million, in H2 the GE business was fully integrated into the core French operations. Consequently it was not possible to identify the loss on the business transferred from the GECITS acquisition for the year as a whole. As this business was loss making on acquisition, the Group received a payment from the vendor to assist in the financing and development of the business. This has resulted in a release of negative goodwill in 2002 of £3.7m.

Clearly, as the French market has reduced over 2001, the growth of Computacenter France implies we have taken significant share and we expect this consolidation to continue.

The BeLux region performance, although not material at a Group level, remains disappointing, with revenue decreasing by 11.9% to £12.6 million and operating losses increasing from £1.2 million to £3.9 million. However, having reviewed the carrying value of the goodwill, we have taken the decision to write-off all of the goodwill in our BeLux business, which resulted in a charge of £2.9 million included in the BeLux operating profit. Excluding this write-off, the BeLux operating loss improved from £1.2 million to £1.0 million.

Earnings per share and dividend

Diluted earnings per share increased by 100% to 19.8p. However, excluding the impact of non-operating exceptional items, the increase in the diluted EPS was 7.8%, increasing from 17.9p to 19.3p. It is our intention to recommend an increased dividend of 5.8p per share. The dividend will be payable on 30 May 2003 to registered shareholders as at 2 May 2003.

Cash flow and working capital

The main elements of working capital are as shown below:

	Dec 2001	Dec 2002	Change
Stock days	21	24	3
Debtor days	42	43	1
Creditor days	36	33	(3)

Whilst stock levels remained almost static, the reduction in Group turnover resulted in an increase of stock days from 21 to 24. Excluding the 2003 acquisitions, we expect stock days to remain at levels similar to those at the end of December 2002.

Creditor days reduced from 36 to 33, partly due to a mix change of vendors and also due to the HP payment terms change. All HP invoices, for pre-merger Compaq products, dated from 1 December onwards, were on 14 days payment terms, with a settlement discount, as opposed to previous terms of in excess of 30 days. This has impacted the 2002 year-end cash position by circa £6 million and the full impact is approximately £20 million, depending on the absolute level of HP purchases and the position relative to other vendors.

Table 1: Group revenues, H1 2000 to H2 2002
£million

	Half 1	Half 2	Total
2000	926.7	1,061.7	1,988.4
2001	1,173.6	919.8	2,093.4
2002	975.0	951.7	1,926.7
% change*	(16.9)	3.5	(8.0)

Table 2: Group pre-exceptional pre-tax profit, H1 2000 to H2 2002
£million

	Half 1	% return	Half 2	% return	Total	% return
2000	19.2	2.1	36.4	3.4	55.6	2.8
2001	32.6	2.8	18.5	2.0	51.1	2.4
2002	24.4	2.5	29.8	3.1	54.2	2.8
% change*	(25.2)		61.1		6.1	

The cash inflow from operating activities relative to Group operating profit was 107.9%, which compares to 157.2% in 2001. In 2001 the level of cash generation was exceptional as it was driven by the significant slowdown experienced in H2 2001, with a consequent reduction in the level of working capital required. As revenues in H2 2002 were broadly similar to revenues in H2 2001, this effect was not repeated.

Cash generation from operations of £60.6 million contributed to the improvement in the Group's net cash position to £83.4 million. Capital expenditure reduced from £15.8 million to £10.8 million.

In November 2002 the Group repaid £38.3 million that was outstanding on bonds raised in 1995. These bonds carried an interest rate of 10% and the net effect of their repayment, given current interest rates, will save the Group approximately £2.4 million per annum.

Taxation

The effective tax rate for the Group was 32.8% compared to 45.3% in the previous year. The major reason for the high effective tax rate in 2001 was the impact of the unrelieved operating losses in Germany and, in particular, the loss incurred on the disposal of the German operations. This accounted for a 15.3% differential in the tax rate from the standard 30%.

The effective tax rate for 2002 at 32.8% was 2.8% ahead of the UK standard rate of 30%. The main reasons are analysed below:

	£m charge	% impact
Expenses not deductible for tax purposes	0.5	0.9
Losses of overseas undertakings not available for relief	1.2	2.2
Write down of investment	0.6	1.0
Goodwill amortised	(1.0)	(1.8)
Impairment of goodwill	0.9	1.6
Deferred tax movements	0.5	0.8
Adjustment to prior year provisions (current & deferred tax)	(1.1)	(1.9)
Total	1.6	2.8

Financial instruments

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

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. Our policies for managing each of these risks are set out below.

Interest rate risk

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

Liquidity risk

The Group's policy is to ensure that we have sufficient funding and committed bank facilities in place to meet any foreseeable peak in borrowing requirements. At 31 December 2002 we had £77.4 million of committed bank facilities with maturities for up to 1 year, of which 10.0% were drawn down.

The Group's net cash position at the year-end of £83.4 million, in combination with the above facilities and the ability to access approximately £50 million of funds through sale and lease back of fixed assets, provides a generous cushion for financing working capital movements.

Whilst the Group's net cash position reduced by £36.5 million on 2 January 2003, due to the payment of the initial consideration for the acquisition of GE CompuNet and GECITS Austria, the overall net cash and working capital facilities outlined above leave us in a strong position for financing the ongoing requirements of the business.

Foreign currency risks

The Group operates in the UK, France, Belgium, Luxembourg and, since the beginning of 2003, in Germany and Austria. The Group uses local borrowings to fund its operations in each of these countries, where principal receipts and payments are denominated in local currency. In each country a small proportion of the sales are made to customers outside those countries. For those countries within the Euro zone the level of non-Euro denominated sales is very small and, if material, the Group's policy is to eliminate currency exposure through forward currency contracts. For the UK, the vast majority of sales and purchases are denominated in sterling and any material exposures are eliminated through forward currency contracts.

In certain circumstances the Group uses forward exchange contracts to hedge foreign currency exposures arising on forecast receipts and payments.

Tony Conophy
Finance Director

Table 3: Revenues by country, H1 2001 to H2 2002
£million

	2001		2002	
	Half 1	Half 2	Half 1	Half 2
UK	1,001.0	753.0	828.9	768.4
France	117.1	145.4	140.1	176.7
BeLux	8.5	5.8	6.0	6.6
Germany	47.0	15.6	-	-
TOTALS	1,173.6	919.8	975.0	951.7

Table 4: Operating profit, H1 2001 to H2 2002
£million

	2001				2002			
	Half 1	% return	Half 2	% return	Half 1	% return	Half 2	% return
UK continuing	37.8	3.8	16.6	2.2	25.7	3.1	31.9	4.2
UK discontinued	(3.4)		0.3		-		-	
France	2.1	1.8	4.2	2.9	0.2	0.1	2.2	1.2
BeLux	(0.5)	(5.8)	(0.6)	(10.3)	(0.5)	(8.3)	(3.3)*	(50.0)
Germany	(0.6)	(1.3)	(0.8)	(5.1)	-		-	
TOTALS	35.4		19.6		25.4		30.8	

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

Board of Directors

Executive Directors

1 Ron Sandler

Executive Chairman, aged 51

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

2 Mike Norris

Chief Executive, aged 41

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.

3 Tony Conophy

Finance Director, aged 45

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 group. He joined Computacenter in 1987 as Financial Controller, rising in 1991 to General Manager of Finance. In 1996 he was appointed Finance and Commercial Director of Computacenter (UK) Limited with responsibility for all financial, purchasing and vendor relations activities. In March 1998 he was appointed Group Finance and Commercial Director.

Non-Executive Directors

4 Nick Cosh

Aged 56

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 Chairman of Fleming American Investment Trust. Previous positions held include Group Finance Director of JIB Group PLC and of MAI plc.

5 Philip Hulme

Aged 54

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

6 Peter Ogden

Aged 55

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

7 Cliff Preddy

Aged 55

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 Non-Executive Chairman of CODASciSys plc and Acquisition Accounting Ltd.

Corporate governance statement

1 Compliance statement

The Board is committed to high standards of corporate governance throughout the Group and supports the principles set out in the 'Principles of Good Governance and Code of Best Practice' (the "Combined Code"). Other than where detailed in this report, the Company has throughout the financial year complied with the provisions as set out in section 1 of the Combined Code.

2 Board of Directors

The Board of Directors comprises three Executive Directors and four Non-Executive Directors two of whom, Nick Cosh and Cliff Preddy, are independent and free from any business or other relationships which could materially interfere with the exercise of their judgement. Mr Cosh was appointed as Senior Independent Non-Executive Director in December 2002, replacing Adrian Beecroft who resigned as a Director in January 2002.

The Directors' biographies appear on page 18.

The Board is chaired by an Executive Director, Ron Sandler, and the Chief Executive is Mike Norris. There is a clear division of responsibilities between the running of the Board and the running of the Group's day-to-day business with the Chairman responsible for the former and the Chief Executive the latter. No individual has unfettered powers of decision. The Board believes that an effective balance of power and authority is maintained through the number and calibre of the Non-Executive Directors who represent a source of strong independent advice and judgement. The Board is aware that Section A.3.2 of the Combined Code requires that a majority of Non-Executive Directors be independent. Nevertheless, being mindful of the recommendations of the Higgs Report published in January 2003 and the Group's increasing presence in continental Europe, the Board has decided to defer the appointment of a further independent Non-Executive Director pending an assessment of the skills and experience required.

There were seven scheduled Board meetings during 2002 and other meetings were held as necessary. The Board has a documented schedule of matters reserved to it, including the approval of major capital expenditure and the agreement of strategy and budgets. All Directors have access to the advice and services of Alan Pottinger, Company Secretary, who is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. These ordinarily include a detailed report on current trading and full papers on matters where the Board will be required to make a decision or give its approval. Reports are given to the Board on such matters as trading outlook, acquisitions and insurance, and specific business presentations are given where appropriate. The Chairman ensures that all Directors are properly briefed on issues considered at Board meetings. 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.

Each year (excluding those Directors retiring and not seeking re-election and those retiring following their appointment during the year) the number nearest to but not exceeding one-third of the Directors retire by rotation. In addition all Directors must retire by rotation at least every three years. No Director has a service contract with a notice period of more than one year.

Principal Board committees

The Board has delegated certain duties to several committees each with specific terms of reference, the main responsibilities and composition of which are set out below:

Audit Committee

(Chairman: Nick Cosh)

The Audit Committee comprises Nick Cosh, Peter Ogden and Cliff Preddy and meets at least four times a year. The Chairman, the Group Finance Director and the external auditor attend all meetings. The Committee assists the Board in fulfilling its responsibilities by reviewing a wide range of matters including the Group's annual and interim financial statements and accompanying reports to shareholders, the preliminary announcement of results and any other public announcement regarding financial information. In addition it reviews and advises the Board on the scope, cost effectiveness and result of the audit as well as the independence and objectivity of the auditors. The volume of non-audit services provided is also reviewed to ensure both objectivity and value for money. The Committee also reviews reports presented by Internal Audit and by the Risk and Insurance Department regarding significant operational risks and controls.

Nomination Committee

(Chairman: Ron Sandler)

The Committee meets as required and comprises the Non-Executive Directors and the Executive Chairman. Its responsibilities include reviewing the Board structure, size and composition and nominating candidates for appointment to the Board.

Remuneration Committee

(Chairman: Cliff Preddy)

The Remuneration Committee meets at least once a year and comprises Cliff Preddy and Nick Cosh with Philip Hulme and Peter Ogden acting as non-voting special advisers. The Committee determines the Company's general policy on executive remuneration and the specific packages for the Executive Directors. The Committee also monitors and reviews the terms and conditions of the Executive Directors' service agreements and determines the grant of share options to Executive Directors and senior employees.

3 Directors' remuneration

The principles and details of Directors' remuneration are contained in the Directors' remuneration report on pages 22 to 24.

4 Relations with shareholders

The Company has regular dialogue with institutional shareholders (other than during closed periods) and communication with shareholders generally is given a high priority. 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 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 are announced at such meetings.

Shareholders are encouraged to view the Group's website (www.computacenter.com), which includes the share price as well as dedicated pages on case studies, news and financial information.

The chairmen of the Audit, Nomination and Remuneration Committees intend to be available at the AGM on 9 May 2003 to answer any questions from private and institutional investors. Details of the resolutions to be proposed can be found in the Notice of Meeting enclosed with this report.

5 Accountability and audit

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

Management structure

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

Control environment

The Group operates authorisation and approval processes that are an integral part of its operations. Access controls exist where processes have been automated to ensure the security of data.

Management information systems have been developed to identify risks and to enable assessment of the effectiveness of the system of internal control. Accountability is reinforced and the further scrutiny of costs and revenues encouraged by the linking of staff incentives to customer satisfaction and profitability.

Budgetary process

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

Risk management

Specialist departments monitor developments and ensure compliance with legislative and regulatory requirements. A comprehensive risk management programme has been introduced and a Risk Committee formed, comprising key operational managers, to assist and monitor its development. 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.

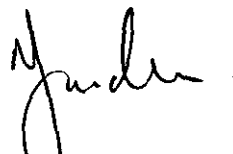
6 Board review of internal control

Following publication of guidance for Directors on internal control: 'Internal Control Guidance for Directors on the Combined Code' ("Turnbull") the Directors confirm that procedures were in place to identify, evaluate and manage significant risks faced by the Group throughout the year under review and up to the date of approval of the Annual Report and Accounts. These include:

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

The Board, acting through the Audit Committee, has directed the work of Internal Audit towards those areas of the business that are considered to be of the highest risk. A rolling audit programme ensures that all significant areas of the business are independently reviewed within a three-year period. This programme is continually assessed to ensure it takes account of the latest information, in particular the results of the annual review of internal control. During 2002 Internal Audit carried out a number of reviews of specific areas of the business and the findings of these reviews were considered by the Audit Committee. The effectiveness of the Internal Audit Department and the Company's risk management programme is reviewed annually by the Audit Committee.

In addition to the rolling annual audit programme, the Board conducts an annual review of the effectiveness of the internal control system including financial, operational and compliance controls and risk management. All major risks are reviewed by the Group Executive Committee and by key managers across the Group. The findings of the review are recorded in a risk register, which is updated regularly based on data from the Internal Audit and Risk Management departments and other sources. 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 advisors

The Remuneration Committee ("the Committee") comprises Cliff Preddy (Chairman) and Nick Cosh. Philip Hulme and Peter Ogden are non-voting special advisers to the Committee. Ron Sandler attends meetings but absents himself when his own remuneration is considered. The Committee's Terms of Reference are regularly reviewed by the Board to ensure that its activities comply fully with the provisions of the Combined Code.

In considering levels of remuneration, the Committee has received advice from the Company's Director of Employee and Customer Satisfaction, who in turn has taken advice from Towers Perrin. Towers Perrin also provides additional advice to the Company's management on general remuneration issues from time to time.

Remuneration policy

The Committee makes recommendations to the Board, and determines on its behalf, remuneration policy for the Chairman and other Executive Directors, and on share options for senior executives. In implementing its policy, the Committee has given full consideration to the Combined Code with regard to Directors' remuneration, and is satisfied that it has complied with the best practice provisions as set out in Section 1. B of the code. In particular, the following business considerations have been addressed:

- to attract, retain and motivate the highest calibre Executive Directors;
- to reward Executive Directors through remuneration arrangements that are both competitive and provide an incentive for the development and performance of the Group in the best interests of shareholders;
- to ensure that total rewards are commercially competitive.

The Board as a whole determines fees for Non-Executive Directors. The Committee is responsible for determining the appropriate policy for rewarding the Company's Executive Directors, which is based on a combination of fixed and variable payments, benefits and share option plans in order to achieve a balance between short and long-term goals.

Basic salary and benefits

In seeking to ensure that the basic salary for each Executive Director is appropriate and competitive, relevant external market data, as well as increases in salary given to employees of the Group generally, are taken into consideration. The Chairman makes recommendations to the Committee based on this information, the individual performance of the other Executive Directors against specific financial and non-financial goals, and the performance of the Group as a whole.

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. For 2002, the maximum level of bonus for Mike Norris was £197,500 (2001: £192,500) and for Tony Conophy, £122,500 (2001: £120,000). The actual levels of bonus earned were £148,125 (2001: £96,250) and £91,875 (2001: £60,000) respectively.

Share options

The Executive Directors are awarded executive share options under the Company's share option schemes, which are subject to certain performance conditions. The details of the various performance conditions relating to grants are set out in the table of Directors' emoluments below. These conditions are designed to produce significant and sustained improvements in the Group's underlying financial performance. Should the conditions not be met options will lapse. The amount of an award is normally limited to a maximum of 1.25 times an individual's base salary. Option scheme rules currently specify that grants will not be made where the total market value of shares, at date of grant, over which an individual has been granted options to subscribe in the previous ten years exceeds 4 times his total annual remuneration. Since these rules were adopted ABI guidelines have changed and shareholders' approval to amend the rules to reflect current ABI guidelines will be sought at the forthcoming Annual General Meeting.

Pension

Executive Directors are entitled to participate in the Computacenter Pension Scheme, a defined contribution scheme available to all employees under which a maximum annual Company contribution of £2,500 per employee is payable. Both Mike Norris and Tony Conophy participated in the Scheme. The Scheme also allows employees to make salary sacrifices, which the Company may contribute to the Scheme on their behalf. The amount of such salary sacrifices is shown as Company contributions in excess of the £2,500 limit in the table of Directors' emoluments.

Notice periods

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

Directors' remuneration

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

	Unexpired contract term (months)	Basic salary and fees £	Benefits in kind £	Performance related bonuses £	Pension contributions £	Total 2002 £	Total 2001 £
Executive Directors							
RA Sandler	no term specified	233,961	–	–	–	233,961	223,253
MJ Norris	no term specified	395,000	3,780	148,125	2,500	549,405	504,750
FA Conophy	no term specified	228,833	5,205	91,875	22,500	348,413	314,511
Non-Executive Directors							
PAB Beecroft	–	2,712	–	–	–	2,712	30,000
NJ Cosh	25	34,326	–	–	–	34,326	–
PW Hulme	2	30,000	–	–	–	30,000	84,241
PJ Ogden	2	30,000	–	–	1,500	31,500	31,500
CSF Preddy	25	29,423	–	–	–	29,423	–
RL Richards	–	2,712	–	–	–	2,712	30,000
		986,967	8,985	240,000	26,500	1,262,452	1,218,255

Note: Nick Cosh and Cliff Preddy were appointed as Directors on 8 January 2002. Adrian Beecroft and Rod Richards resigned as Directors on 4 February 2002.

Directors' remuneration report continued

Interests in share options

	Exercise price	Exercise dates		At 1 January 2002 (or date of appointment)	Granted during the year	Exercised during the year (or since appointment)	Lapsed	At 31 December 2002
Executive Directors								
RA Sandler	333.50p	20/03/04 – 19/03/11	(1)	150,000	–	–	–	150,000
	333.50p	20/03/05 – 19/03/11	(1)	150,000	–	–	–	150,000
	333.50p	20/03/06 – 19/03/11	(1)	200,000	–	–	–	200,000
	322.00p	10/04/05 – 09/04/12	(7)	–	91,226	–	–	91,226
				500,000	91,226	–	–	591,226
MJ Norris	41.25p	09/04/99 – 08/04/06	(2)	400,000	–	–	–	400,000
	25.00p	09/04/99 – 08/04/03	(2,9)	300,000	–	300,000	–	–
	160.00p	31/07/00 – 30/07/07	(2)	250,000	–	–	–	250,000
	670.00p	01/09/03 – 28/02/04	(4)	2,574	–	–	–	2,574
	942.50p	25/04/03 – 24/04/10	(3)	20,424	–	–	–	20,424
	333.50p	20/03/04 – 19/03/11	(1,5)	8,995	–	–	–	8,995
	333.50p	20/03/04 – 19/03/11	(6)	48,726	–	–	–	48,726
	322.00p	10/04/05 – 09/04/12	(7)	–	122,670	–	–	122,670
				1,030,719	122,670	300,000	–	853,389
FA Conophy	670.00p	01/09/03 – 28/02/04	(4)	2,574	–	–	–	2,574
	942.50p	25/04/03 – 24/04/10	(3)	12,732	–	–	–	12,732
	333.50p	20/03/04 – 19/03/11	(6)	35,982	–	–	–	35,982
	322.00p	10/04/05 – 09/04/12	(1,8)	–	9,316	–	–	9,316
	322.00p	10/04/05 – 09/04/12	(7)	–	66,770	–	–	66,770
				51,288	76,086	–	–	127,374
Non-Executive Directors								
NJ Cosh	–	–	–	–	–	–	–	–
PW Hulme	25.00p	09/04/99 – 08/04/03	(2,9)	1,600,000	–	500,000	–	1,100,000
PJ Ogden	25.00p	09/04/99 – 08/04/03	(2)	1,600,000	–	–	–	1,600,000
CSF Freddy	–	–	–	–	–	–	–	–

1 Issued under the terms of the Computacenter Employee Share Option Scheme 1998.

2 Issued under the terms of the Computacenter Services Group plc Unapproved Executive Share Option Scheme.

3 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options exercisable from 25 April 2003 are exercisable on the condition that the average annual compound growth in the Computacenter Group's earnings per share is at least 5% above the RPI for the three-year period commencing 1 January 2000.

4 Issued under the terms of the Computacenter Sharesave Plus Scheme, which is available to all employees and full time Executive Directors of the Computacenter Group.

5 Exercisable on the condition that the average annual compound growth in the Computacenter Group's fully diluted earnings per share, compared to the base year of 2000, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2003, 2004 and 2005 respectively.

6 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average compound growth in the Computacenter Group's fully diluted earnings per share, compared to the base year of 2000, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2003, 2004 or 2005 respectively.

7 Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Company's earnings per share (on a pre-exceptional post investment in the Biomni joint venture fully diluted basis) compared to the base year of 2001, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2004, 2005 or 2006 respectively.

8 Exercisable on the condition that the average annual compound growth in the Company's earnings per share (on a pre-exceptional post investment in the Biomni joint venture fully diluted basis) compared to the base year of 2001, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2004, 2005 or 2006 respectively.

9 On 27 March 2002 MJ Norris exercised an option over 300,000 shares at 25.00p each and PW Hulme exercised an option over 500,000 shares at 25.00p each. On the same day all of these shares were sold at 355.00p per share, producing a gain on exercise in respect of MJ Norris of £990,000 and £1,650,000 in respect of PW Hulme.

The market price of the ordinary shares at 31 December 2002 was 280.00p and the range during the year was 211.00p to 381.50p.

By order of the Board

AJ Pottinger
Secretary
11 March 2003

Directors' report

The Directors present their report and the audited accounts of the Company for the year ended 31 December 2002

Principal activities

The Company is a holding company. The principal activities of the group of subsidiary company undertakings of which it is the parent, are the design, project management, implementation and support of integrated 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 to 5, the Chief Executive's review on pages 6 to 9 and the Finance Director's review on pages 16 to 17.

Results and dividends

The Group's activities resulted in a profit before tax of £55.1 million (2001: £34.9 million). The Group profit for the year available to

shareholders amounted to £37.0 million (2001: £19.1 million). The Directors propose a final dividend for the year of £10.7 million (2001: £5.4 million) being payable on 30 May 2003 to those shareholders on the register as at 2 May 2002. The Company did not pay an interim dividend during the year.

Directors

The Directors who served during the year ended 31 December 2002 are detailed below. Nick Cosh and Cliff Preddy were appointed as Directors on 8 January 2002 and Adrian Beecroft and Rod Richards resigned as Directors on 4 February 2002. Brief biographical details of the Directors at the date of this Report are given on page 18.

Ron Sandler and Philip Hulme will retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

Directors' interest in shares

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

	At 31 December 2002		At 1 January 2002 or as at date of appointment	
	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial	Number of ordinary shares Beneficial	Number of ordinary shares Non-beneficial
Executive Directors				
RA Sandler	75,000	–	75,000	–
MJ Norris	1,571,265	–	1,685,212	–
FA Conophy	1,762,758	–	1,762,388	–
Non-Executive Directors				
NJ Cosh	5,000	–	–	–
PW Hulme	28,990,057	12,872,707	28,990,057	12,872,707
PJ Ogden	42,162,764	15,000	42,201,264	25,000
CSF Preddy	5,000	–	–	–

There have been no changes in the interests of the Directors in the shares of Computacenter plc between 31 December 2002 and 11 March 2003.

Major interests in shares

In addition to the Directors' interests set out above, in so far as is known to the Company, as at 11 March 2003 the following have interests, directly or indirectly, in 3% or more of the existing issued ordinary share capital of the Company.

Shareholder	Number of ordinary shares	Percentage of issued ordinary capital
Aegon UK plc	9,253,153	4.99%
Fidelity International Limited	5,708,940	3.08%
Schroder Investment Management Limited	22,251,917	12.05%

Directors' report continued

Authority to purchase own shares

At the 2002 Annual General Meeting a resolution was passed giving the Company authority to purchase up to 10% of its ordinary shares by market purchase. At 31 December 2002, 2,005,000 shares, representing 1% of the issued ordinary shares, had been purchased. A resolution to further extend the authority is to be put to the 2003 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.

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 under these schemes to purchase shares of the Company have been granted to certain employees in respect of 1,311,148 ordinary shares of 5p each. At the year-end 9,768,757 (2001: 10,037,665) options remain outstanding under these schemes. 1,131,273 options were exercised under the executive share option schemes during the year.

In addition the Company continues to operate a Sharesave scheme for the benefit of employees. At the year-end, 3,975,011 (2001: 3,615,369) options granted under the Sharesave scheme remain outstanding.

Employee involvement

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

Every two years, an employee opinion survey is conducted 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. The last survey was conducted in November 2002, leading to action plans that are in the process of being implemented.

Equal opportunities

The Group is committed to equal opportunities. No employee or potential employee receives less favourable treatment or consideration on grounds of race, national or ethnic origin, gender, disability, sexual orientation, or marital status. To this end the Group has an equal opportunities policy, and, in addition, has entered into a partnership arrangement with the UK Commission for Racial Equality. 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. Its conduct against this standard is monitored on a regular basis.

Health and safety

It is 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 upon request.

Environmental report

The Board is committed to the improvement of the Group's environmental performance and to minimising any adverse effects that its operations may have on the environment. In support of this, the Company operates a comprehensive Environmental Management System (EMS), which is scheduled to achieve accreditation to the international standard ISO 14001 in 2003. The Computacenter EMS covers the supply, configuration, storage, installation, recovery and safe disposal of information technology systems. Training in EMS is provided for staff and the system will be monitored and reviewed by the Group Health, Safety and Environment Department and the BSI. In addition, RDC, our computer re-use and recycling arm, achieved ISO 14001 in August 2001 (a factor contributing to its success in winning the prestigious Queen's Award for Enterprise in April 2002).

The significant environmental aspects identified are IT waste, packaging waste, office waste, transport and energy. Progress on each of these issues will be monitored throughout the year and costs and benefits measured.

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

Performance and personal development

The Group is committed to the development of its employees through a regular performance review process. Managers are responsible for setting and reviewing personal objectives aligned to corporate and functional goals, reviewing performance against behavioural standards appropriate to job level, agreeing appropriate training and development interventions, and discussing career aspirations. The Group Executive Committee has overall responsibility for monitoring management development and ensuring that the appropriate skills are available to meet the current and future management needs of the Company. The Company spends approximately £3.5m each year on technical training and skill development. The Company's reward strategy is aligned to the development of a performance related culture.

Business ethics

The Group has an ethics policy that was issued in January 2002, drawing together into a single document pre-existing statements on a number of ethical standards. The policy commits employees to the highest standards of ethical behaviour in all business and personal relationships whilst in the workplace or on company business.

Community relations and charity activities

The UK business has a Charity Committee that is chaired by a member of the Group Executive Committee. This meets regularly to consider community projects and charitable requests, and to organise fund-raising events for three corporate charities – Macmillan Cancer Relief, the NSPCC, and Children in Need. Support for the corporate charities is reviewed every three years following consultation with employees. The current term for the existing charities will end in December 2003.

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. In 2002 the Group made charitable donations amounting to £84,340.

Directors' report continued

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 those 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 disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group or Company will continue in its business.

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

Auditors

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

AJ Pottinger

Secretary

11 March 2003

Independent auditors' report to the members of Computacenter plc

We have audited the Group's financial statements for the year ended 31 December 2002 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 seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness

of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which 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 2002 and of the profit of the Group for the year then ended; and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

Luton

11 March 2003

Group profit and loss account

For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover			
Turnover: Group and share of joint venture's turnover		1,930,135	2,097,224
Less: share of joint venture's turnover		(3,398)	(3,801)
Continuing operations		1,926,737	2,030,803
Discontinued operations		-	62,620
Group turnover	2	1,926,737	2,093,423
Operating costs	3	(1,870,570)	(2,038,340)
Operating profit			
Continuing operations		56,167	59,608
Discontinued operations		-	(4,525)
Group operating profit	4	56,167	55,083
Share of operating loss in joint venture		(1,272)	(2,174)
Share of operating loss in associate		(13)	(67)
Total operating profit: Group and share of associate and joint venture	2	54,882	52,842
Release of provisions related to/(loss on) termination of operations	5	863	(16,213)
Profit on ordinary activities before interest and taxation		55,745	36,629
Interest receivable and similar income	7	7,367	7,815
Interest payable and similar charges	8	(8,031)	(9,544)
Profit on ordinary activities before taxation		55,081	34,900
Tax on profit on ordinary activities	9	(18,074)	(15,799)
Profit on ordinary activities after taxation		37,007	19,101
Minority interests - equity		25	(43)
Profit attributable to members of the parent company		37,032	19,058
Dividends - ordinary dividends on equity shares	10	(10,657)	(5,435)
Retained profit for the period		26,375	13,623
Earnings per share			
Basic	11	20.4p	10.5p
Diluted	11	19.8p	9.9p
Diluted (excluding effect of non-operating exceptional items)	11	19.3p	17.9p
Dividends per ordinary share	11	5.8p	2.9p

Group statement of total recognised gains and losses

For the year ended 31 December 2002

	2002 £'000	2001 £'000
Profit for the financial year excluding share of joint venture and associate	37,978	20,647
Share of joint venture's loss for the year	(933)	(1,522)
Share of associate's loss for the year	(13)	(67)
Profit attributable to members of the parent company for the financial year	37,032	19,058
Exchange differences on retranslation of net assets of associated and subsidiary undertakings	1,238	254
Total recognised gains for the year	38,270	19,312

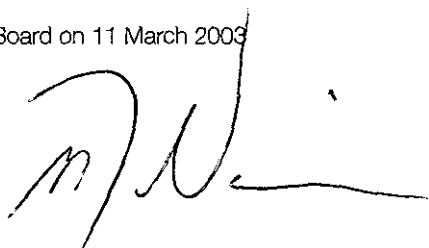
Group balance sheet

At 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Intangible assets			
Positive goodwill	12	5,039	7,957
Negative goodwill	12	(4,793)	-
		246	7,957
Tangible assets	13	96,733	103,523
Investments	14	12,366	13,531
		109,345	125,011
Current assets			
Stocks	15	95,742	95,385
Debtors	16	286,882	295,837
Cash at bank and in hand		92,072	109,665
		474,696	500,887
Creditors: amounts falling due within one year	17	(328,522)	(395,695)
Net current assets		146,174	105,192
Total assets less current liabilities		255,519	230,203
Creditors: amounts falling due after more than one year	18	(1,613)	(2,006)
Provision for joint venture deficit			
Share of gross assets		943	3,380
Share of gross liabilities		(7,834)	(7,370)
	21	(6,891)	(3,990)
Provision for liabilities and charges	21	(1,743)	(2,189)
Total assets less liabilities		245,272	222,018
Capital and reserves			
Called up share capital	22	9,237	9,281
Share premium account	23	69,004	68,710
Capital redemption reserve	23	100	-
Profit and loss account	23	166,792	143,825
Shareholders' funds - equity		245,133	221,816
Minority interests - equity		139	202
		245,272	222,018

Approved by the Board on 11 March 2003

MJ Norris
Chief Executive



FA Conophy
Finance Director

Francis Conophy

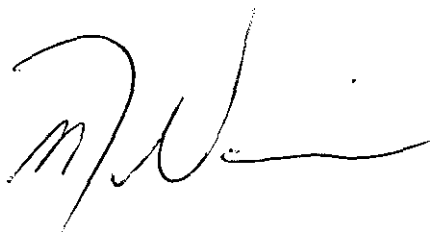
Company balance sheet

At 31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	13	38,257	39,859
Investments	14	129,050	127,172
		167,307	167,031
Current assets			
Debtors	16	467	24,780
Cash at bank and in hand		1	-
		468	24,780
Creditors: amounts falling due within one year	17	(31,853)	(55,583)
Net current liabilities		(31,385)	(30,803)
Total assets less current liabilities		135,922	136,228
Provisions for liabilities and charges	21	(1,577)	(2,189)
Total assets less liabilities		134,345	134,039
Capital and reserves			
Called up share capital	22	9,237	9,281
Share premium account	23	69,004	68,710
Capital redemption reserve	23	100	-
Merger reserve	23	55,990	55,990
Profit and loss account		14	58
Shareholders' funds - equity		134,345	134,039

Approved by the Board on 11 March 2003

MJ Norris
Chief Executive



FA Conophy
Finance Director

Francis Conophy

Group statement of cash flows

For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Cash inflow from operating activities	24	60,614	86,576
Returns on investments and servicing of finance	25	(468)	(1,515)
Taxation			
Corporation tax paid		(17,485)	(17,770)
Capital expenditure and financial investment	25	(9,097)	(18,687)
Acquisitions and disposals	25	7,559	(4,437)
Equity dividends paid		(5,324)	(5,294)
Cash inflow before financing		35,799	38,873
Financing	25	(43,083)	(278)
(Decrease)/increase in cash in the year		(7,284)	38,595

Reconciliation of net cash flow to movement in net funds

For the year ended 31 December 2002

	2002 £'000	2001 £'000
Net funds at 1 January 2002	53,287	13,407
(Decrease)/increase in cash in the year	(7,284)	38,595
Cash outflow from repayment of debt and lease finance	38,787	1,500
Change in net cash resulting from cash flows	84,790	53,502
New finance leases	(1,164)	–
Amortisation of debt issue costs	(196)	(215)
Net funds at 31 December 2002	83,430	53,287

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.

In preparing the financial statements for the current year, the Group has adopted FRS18 'Accounting Policies' and FRS19 'Deferred Tax'. The adoption of these standards has not required any revisions to the financial statements in either the current or prior years.

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 £15,259,000 (2001: £4,497,000).

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.

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

Investments

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

Leases

Assets held under finance leases and hire purchase contracts that transfer substantially all the risks and rewards of ownership to the Group are treated as if they had been purchased and an amount equivalent to their fair value is included under tangible fixed assets. Depreciation is provided in accordance with the Group's normal depreciation policy. The capital element of the

related rental obligations is included in creditors. Leasing and hire purchase payments are treated as consisting of capital and finance charge elements and the finance charge is included in interest payable in the profit and loss account.

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

Stocks

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

Revenue recognition and deferred product revenue

Product revenue is recognised when receivable under a contract following delivery of a product. Maintenance revenue is recognised over the maintenance period on a straight line basis, which approximates to the level of completion of an individual contract. The unrecognised maintenance revenue is included as deferred income in the balance sheet.

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 exception:

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

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

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.

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 the periods expected to be benefited.

Pensions

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. 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 financial statements of overseas subsidiaries are translated using average rates of exchange. Exchange differences arising from the retranslation of opening net assets and profit and loss financial statements 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 16 and 17. Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. Gains or losses arising on these forward contracts are taken to the profit and loss account at maturity.

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

Capital instruments

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

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 by destination and origin, operating profit/(loss) and net assets/(liabilities) is given below:

	2002 £'000	2001 £'000
Turnover by destination		
UK		
Continuing	1,584,471	1,744,226
Discontinued	-	54
Total	1,584,471	1,744,280
France	313,797	267,157
Belgium & Luxembourg	11,560	13,608
Germany - continuing	4,503	323
Germany - discontinued	-	62,566
Rest of the World	12,406	5,489
Total	1,926,737	2,093,423

	2002 £'000	2001 £'000
Turnover by origin		
UK		
Continuing	1,597,344	1,753,999
Discontinued	-	54
Total	1,597,344	1,754,053
France	316,773	262,460
Belgium & Luxembourg	12,620	14,344
Germany - discontinued	-	62,566
Total	1,926,737	2,093,423

Notes to the financial statements

2 Turnover and segmental analysis continued

	2002 £'000	2001 £'000
Operating profit/(loss)		
UK		
Continuing	57,642	54,438
Discontinued	-	(3,105)
Total	57,642	51,333
France	2,389	6,381
Belgium & Luxembourg	(3,864)	(1,211)
Germany - discontinued	-	(1,420)
Total Group excluding associate & joint venture undertaking	56,167	55,083
Share of operating result of associate and joint venture undertaking	(1,285)	(2,241)
Total operating profit	54,882	52,842

	2002 £'000	2001 £'000
Net assets/(liabilities) employed		
UK	183,346	182,257
France	10,400	12,079
Belgium & Luxembourg	(4,426)	67
Germany	(588)	(6,449)
Subtotal	188,732	187,954
<i>Net assets of associated undertaking</i>		
UK	46	8
Rest of the world	62	150
Net assets employed	188,840	188,112
Net funds	83,430	53,288
Net operating assets	272,270	241,400
Non-operating liabilities	(26,998)	(19,382)
Net assets	245,272	222,018

During the period, Computacenter France acquired the business of GE Capital IT Solutions (GECITS) in France. These operations have been fully integrated under operating profit with those of Computacenter France and therefore it is not possible to separately identify the amounts relating to the acquired activities.

3 Operating costs

	2002 All continuing £'000	2001 Continuing £'000	2001 Discontinued £'000	2001 Total £'000
(Increase)/decrease in stocks of finished goods	(357)	19,029	4,789	23,818
Goods for resale and consumables	1,484,202	1,570,346	45,446	1,615,792
Staff costs (note 6)	227,175	222,090	10,533	232,623
Depreciation and other amounts written off				
tangible and intangible assets	16,758	16,993	1,183	18,176
Other operating charges	142,792	142,737	5,194	147,931
	1,870,570	1,971,195	67,145	2,038,340

4 Operating profit

	2002 £'000	2001 £'000
This is stated after charging:		
Auditors' remuneration – audit services – UK	147	142
– audit services – overseas	65	53
– non-audit services – UK	154	135
– non-audit services – overseas	16	119
Depreciation of owned assets	16,884	17,847
Depreciation of assets held under finance leases and hire purchase contracts	255	–
Operating lease rentals – plant & machinery	1,635	7,345
– land & buildings	10,637	9,196
Amortisation of positive goodwill	449	329
Impairment of listed investment	1,865	–
Impairment of goodwill	2,899	–
And after crediting:		
Amortisation of negative goodwill	3,728	–
Rentals received under operating leases	260	204

5 Exceptional items

	2002 £'000	2001 £'000
Recognised below operating profit:		
UK		
– Closure of iGroup software development activities	–	(3,101)
Germany		
– Loss on disposal	–	(3,080)
– Release of provision/other closure costs	863	(7,388)
Goodwill written back to reserves	–	(2,644)
	863	(16,213)

6 Staff costs

	2002 £'000	2001 £'000
Wages and salaries	191,851	196,414
Social security costs	30,369	31,764
Other pension costs	4,955	4,445
	227,175	232,623

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

The cost to the Group for the period to 31 December 2002 was £4,730,000 (2001: £4,091,000). There were no outstanding or prepaid contributions as at the balance sheet date.

Notes to the financial statements

6 Staff costs continued

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

	Number of employees	
	2002	2001
Supply chain services	1,592	1,534
Managed services	1,898	1,853
Sales and customer services	1,224	1,120
Business support	643	691
Direct business	129	132
Professional services	438	488
Other services	50	141
	5,974	5,959

Details of Directors' remuneration, pension entitlements and share options are disclosed in the Directors' remuneration report on pages 22 to 24.

7 Interest receivable and similar income

	2002 £'000	2001 £'000
Bank interest	5,802	6,375
Other interest receivable	1,565	1,440
	7,367	7,815

8 Interest payable and similar charges

	2002 £'000	2001 £'000
Bank loans and overdrafts	3,256	1,456
Other loans	4,775	8,088
	8,031	9,544

9 Tax on profit on ordinary activities

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

	2002 £'000	2001 £'000
UK Corporation tax*	20,021	15,681
Adjustment relating to prior years	(1,197)	-
	18,824	15,681
Foreign tax	35	564
Group current tax	18,859	16,245
Share of joint venture's tax	(339)	(652)
Total current tax	18,520	15,593
Deferred tax		
Origination and reversal of timing differences	(504)	206
Adjustment relating to prior year	58	-
Group deferred tax	(446)	206
Tax on profit on ordinary activities	18,074	15,799

*Includes a tax credit of £nil (2001: £930,000) relating to the effect of non-operating exceptional items.

9 Tax on profit on ordinary activities continued

b) Factors affecting the current tax charge

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

	2002 £'000	2001 £'000
Total profit before taxation	55,081	34,900
At 30%	16,524	10,470
Expenses not deductible for tax purposes	487	739
Funding to overseas entity not deductible for tax purposes	-	924
Goodwill amortised	(984)	99
Impairment of goodwill	870	-
Goodwill reinstated on disposal	-	793
Accounting depreciation in excess of tax depreciation	(137)	12
Amount provided against investments	558	-
Profits of overseas undertakings not taxable due to brought forward loss offset	-	(669)
Losses of overseas undertakings not available for relief	1,202	3,225
Current tax charge	18,520	15,593

Tax losses have been surrendered by way of Group relief to Computacenter (UK) Ltd, which has paid the tax value for these losses.

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 its French subsidiary of £3,500,000 that are available for a restricted amount of time for offset against the future taxable profits of that company. Deferred tax assets have not been recognised in respect of these losses, as they may not be used to offset taxable profits due to the limited length of time that the loss remains available.

d) Deferred tax

Group

The deferred tax assets/(liabilities) included in the balance sheet are as follows:

	2002 £'000	2001 £'000
Accelerated capital allowances	2,133	2,189
Other short-term timing differences	(390)	-
	1,743	2,189

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

	£'000
At 1 January 2002	2,189
Deferred tax credit in Group profit & loss account:	
Current year	(504)
Prior year	58
At 31 December 2002	1,743

Notes to the financial statements

9 Tax on profit on ordinary activities continued

d) Deferred tax continued

Company

The deferred tax liabilities included in the balance sheet are as follows:

	2002 £'000	2001 £'000
Accelerated capital allowances	1,577	2,189

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

	£'000
At 1 January 2002	2,189
Deferred tax credit in Company profit & loss account:	
Current year	24
Prior year	(636)
At 31 December 2002	1,577

10 Dividends

The Directors recommend the payment of a dividend of 5.8p per share (2001: 2.9p per share), representing an aggregate charge of £10,657,000 (2001: £5,435,000). The Computacenter ESOP trust has waived the dividends payable in respect of 1,427,042 (2001: 1,427,042) ordinary shares that it owns which are not allocated to employees. The Computacenter Trustees Limited has waived dividends in respect of 457,796 (2001: 461,011) shares which it owns which are not allocated to employees and the Computacenter Quest ("Qualifying Employee Scheme Trust") has similarly waived dividends in respect of 1,102,266 (2001: 1,109,143) 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 £37,032,000 (2001: £19,058,000) and on 181,622,000 (2001: 181,252,000) 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 £37,032,000 (2001: £19,058,000) and on 186,632,000 (2001: 191,928,000) ordinary shares, calculated as the basic weighted average number of ordinary shares, plus 5,010,000 (2001: 10,676,000) dilutive share options.

12 Goodwill

	Positive £'000	Negative £'000
Cost		
At 1 January 2002	8,611	–
Additions	430	8,521
At 31 December 2002	9,041	8,521
Amortisation		
At 1 January 2002	654	–
Charge/credit in the year	449	3,728
Impairment	2,899	–
At 31 December 2002	4,002	3,728
Net book value		
At 31 December 2002	5,039	4,793
At 31 December 2001	7,957	–

The Group has amortised its acquired positive goodwill on a straight line basis over a period of 20 years, which is the estimated useful economic life. In addition, the Group has reviewed the carrying value of goodwill acquired and associated future cashflows, and has recognised an impairment to reduce the carrying value to a level that the Directors consider to be appropriate. The acquired negative goodwill is amortised over a period of two years. The Group will continue to review the estimated useful life of the goodwill acquired.

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>				
Cost				
At 1 January 2002	68,047	9,425	90,584	168,056
Reclassified	(7,299)	1,320	5,979	-
Exchange adjustments	-	-	809	809
Additions	200	503	9,615	10,318
On acquisition	-	-	506	506
Disposals	(7)	(27)	(11,610)	(11,644)
At 31 December 2002	60,941	11,221	95,883	168,045
Depreciation				
At 1 January 2002	4,454	5,431	54,648	64,533
Exchange adjustments	-	-	368	368
Charge for year	3,082	1,005	13,051	17,138
Disposals	(6)	(41)	(10,680)	(10,727)
At 31 December 2002	7,530	6,395	57,387	71,312
Net book value				
At 31 December 2002	53,411	4,826	38,496	96,733
At 31 December 2001	63,593	3,994	35,936	103,523

Certain assets were reclassified during the year from freehold land and buildings into short leasehold property and improvements or fixtures and fittings following receipt of the final work package analysis from contractors, enabling a more accurate analysis of the expenditure.

	Freehold land and buildings £'000
<i>Company</i>	
Cost	
At 1 January 2002	42,337
Additions	13
At 31 December 2002	42,350
Depreciation	
At 1 January 2002	2,478
Charge for year	1,615
At 31 December 2002	4,093
Net book value	
At 31 December 2002	38,257
At 31 December 2001	39,859

Included in the figures above are the following items which are held under finance leases and hire purchase contracts:

	Fixtures, fittings, equipment and vehicles	
	2002	2001
	£'000	£'000
Group	1,164	—
Cost	(255)	—
Accumulated depreciation	909	—
Net book value	255	—
Depreciation charge for the year		

Notes to the financial statements

14 Investments

	2002 £'000	2001 £'000
<i>Group</i>		
Loan to joint venture	7,000	6,250
Associated undertaking (a)	108	158
Own shares (b)	2,503	2,503
Other listed investments (c)	2,755	4,620
	12,366	13,531

	Share of net tangible assets £'000
(a) Associated undertaking	
At 1 January 2002	158
Share of losses of associated undertaking	(13)
Sale of shares	(37)
At 31 December 2002	108

The Group's share of post acquisition accumulated profits of the associated undertaking at 31 December 2002 is £26,000 (2001: £39,000). The Group has received £710,000 (2001: £1,127,000) from the associated undertaking for the provision of administrative services and the reimbursement of costs incurred.

	£'000
(b) Own shares - at cost	
Cost	
At 1 January 2002 and 31 December 2002	3,084
Provided	
At 1 January 2002 and 31 December 2002	581
Net book value	
At 31 December 2001 and 31 December 2002	2,503

Own shares comprise the following:

i) Computacenter Employee Share Ownership Plan

Shares in the parent undertaking comprise 1,427,042 (2001: 1,427,042) 5p ordinary shares of Computacenter plc purchased by a third party and funded by a bank loan 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 dependant upon the trustee holding them on the employee's behalf for a restrictive period of three years.

Since 31 December 2002 the definition of beneficiaries under the ESOP Trust has been expanded to include employees who have been awarded options to acquire ordinary shares of 5p each in Computacenter plc under the other employee share plans of the Computacenter Group, namely the Computacenter Services Group plc Approved Executive Share Option Plan, the Computacenter Employee Share Option Scheme 1998, 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.

14 Investments continued

The market value of the shares in the parent undertaking at 31 December 2002 was £3,996,000.

All costs incurred by the Plan are settled directly by Computacenter (UK) Limited and charged in the accounts as incurred.

The plan has waived the dividends payable in respect of 1,427,042 shares that it owns which are not allocated to employees. Any dividends received by the Plan in respect of shares allocated to the beneficiaries would be paid in full to them.

ii) Computacenter Qualifying Employee Share Trust ("the QUEST")

During the year there were no 5p ordinary share subscriptions by the QUEST. The total shares held are 1,102,266 (2001: 1,109,143). All of these shares will continue to be held by the QUEST until such time as the options are exercised. The market value of these shares at 31 December 2002 was £3,086,000 (2001: £3,827,000). The Company has 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. At the year-end, the total number of shares held by Computacenter Trustees Limited was 501,036 (2001: 575,776) shares of which 43,240 (2001: 117,895) shares are allocated against the Bonus Plus awards and 457,796 (2001: 457,881) shares are unallocated. Dividends are paid in respect of the allocated shares but waived in respect of the unallocated shares.

£'000

(c) Other listed investments**Cost**

At 1 January 2002 and 31 December 2002	4,620
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Provided

At 1 January 2002	-
Charge in year	1,865
31 December 2002	1,865

Net book value

31 December 2002	2,755
31 December 2001	4,620

At 31 December 2002, the market value of listed investments was £2,755,000 (2001: £3,208,500).

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Shares in joint venture £'000	Shares in associated undertaking £'000	Other listed investments £'000	Total £'000
Company						
Cost						
At 1 January 2002	136,451	3,668	25	75	4,617	144,836
Additions	21,706	-	-	-	-	21,706
Disposals	-	-	-	(37)	-	(37)
Repaid	-	(914)	-	-	-	(914)
At 31 December 2002	158,157	2,754	25	38	4,617	165,591
Provided						
At 1 January 2002	(14,910)	(2,754)	-	-	-	(17,664)
Charge in the year	(17,015)	-	-	-	(1,862)	(18,877)
At 31 December 2002	(31,925)	(2,754)	-	-	(1,862)	(36,541)
Net book value						
At 31 December 2002	126,232	-	25	38	2,755	129,050
At 31 December 2001	121,541	914	25	75	4,617	127,172

Notes to the financial statements

14 Investments continued

Details of the principal investments at 31 December 2002 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 infrastructureservices	99.4%
Computacenter GmbH	Germany	IT infrastructure services	100%
Computacenter NV/SA	Belgium	IT infrastructure services	100%
RD Trading Limited	England	IT asset management	100%**
Computacenter NV	Luxembourg	IT infrastructure services	100%
ICG International			
Computer Group BV	Netherlands	Non trading	64.6%*
Biomni Limited	England	Software development	50%
ICG Services Limited	England	International IT infrastructure services	35.7%

* includes indirect holdings of 32.4% via Computacenter (UK) Limited and 32.2% via Computacenter France SA.

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

On 15 February 2002, the Group acquired trade and assets of an element of GE Capital Information Technology Solutions SA. Analysis of this transaction is as follows:

	Book value £'000	Fair value £'000
Net assets:		
Fixed assets	506	506
Stocks	75	75
Cash	8,521	8,521
	9,102	9,102
Discharged by:		
Cash consideration		581
Negative goodwill arising		8,521

15 Stocks

	Group	
	2002 £'000	2001 £'000
Goods held for resale	95,742	95,385

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

16 Debtors: due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade debts factored without recourse				
Gross debts	250	324	-	-
Other trade debtors	265,788	281,047	-	-
Amount owed by subsidiary undertakings	-	-	91	24,653
Other debtors, prepayments and accrued income	20,844	14,466	376	127
	286,882	295,837	467	24,780

Trade debts factored without recourse in 2002 represented a proportion of the debts of the Group's French subsidiary, which had been factored without recourse but where the Group had retained limited risks in the event of slow payment. The Group is not obliged to support any losses in respect of these debts.

17 Creditors: amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank overdrafts	7,626	17,935	-	-
Loans (see note 20)	-	38,117	-	38,117
Obligations under finance leases and hire purchase contracts (see note 19)	690	-	-	-
Trade creditors	155,828	187,905	-	-
Corporation tax	9,280	9,780	-	-
Other creditors including taxation and social security (see below)	51,978	37,586	-	-
Amounts owed to subsidiary undertakings	-	-	21,137	11,687
Amounts owed to associated undertaking	186	-	-	-
Accruals	57,308	67,383	-	396
Deferred income	34,910	31,606	-	-
Dividend payable	10,716	5,383	10,716	5,383
	328,522	395,695	31,853	55,583

Included within other creditors is £51,978,000 (2001: £37,418,000) in respect of taxation and social security balances.

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Loans (see note 20)	326	326	-	-
Other creditors	-	678	-	-
Deferred income	1,287	1,002	-	-
	1,613	2,006	-	-

19 Obligations under finance leases and hire purchase contracts

	2002 £'000	2001 £'000
Amounts payable:		
within one year	478	-
between two and five years	212	-
	690	-

Notes to the financial statements

20 Loans

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Loans comprise:				
Wholly repayable within five years	326	38,639	-	50,000
Less: amounts owed to subsidiary undertakings	-	-	-	(11,687)
Less: issue costs	-	(196)	-	(196)
	-	38,443	-	38,117
Less: amounts due within one year	-	(38,117)	-	(38,117)
	326	326	-	-
Analysed as amounts due:				
Within one year	-	38,313	-	50,000
Between one and two years	326	326	-	-
	326	38,639	-	50,000
Less: issue costs	-	(196)	-	(196)
	326	38,443	-	49,804

Group

The loan due between one and two years comprises an amount of £326,000 (2001: £326,000) relating to the Executive Share Option Scheme.

21 Provisions for liabilities and charges

	£'000
<i>Provision for joint venture deficit</i>	
At 1 January 2002	3,990
Share of loss retained by joint venture	933
Consortium relief claimed by Group	1,968
At 31 December 2002	6,891

Deferred taxation

Deferred tax provided in the accounts is as follows:

	Provided £'000
<i>Group</i>	
At 1 January 2002	2,189
Capital allowances in advance of depreciation	(446)
At 31 December 2002	1,743
	Provided £'000
<i>Company</i>	
At 1 January 2002	2,189
Capital allowances in advance of depreciation	(612)
At 31 December 2002	1,577

There are no potential deferred tax liabilities that have not been provided for at 31 December 2002 (2001: nil). Note 9c details those assets which have not been provided for.

22 Share capital

	2002 £'000	2001 £'000
<i>Authorised</i>		
Equity		
Ordinary shares of 5p each	25,000	25,000

	2002 No '000	2002 £'000	2001 No '000	2001 £'000
<i>Allotted, called up and fully paid</i>				
Equity				
Ordinary shares of 5p each	184,752	9,237	185,620	9,281

During the year the Company repurchased 2,005,000 of its own shares for a total consideration of £4,646,000. The shares were cancelled upon repurchase.

Options**Executive Share Option Scheme**

During the year, options were exercised with respect to 1,131,273 (2001: 1,601,273) 5p ordinary shares at a nominal value of £57,000 (2001: £80,000) and at an aggregate premium of £494,000 (2001: £1,142,000).

Under the Executive Share Option Scheme, options remaining outstanding at the year end comprise:

Date of grant	Exercisable between	Exercise price	2002 Number outstanding	2001 Number outstanding
24/04/92	24/04/95 – 23/04/02	25.00p	–	80,000
01/06/93	01/06/96 – 31/05/03	28.75p	15,000	15,000
20/07/94	20/07/97 – 19/07/04	32.50p	–	11,000
09/04/96	09/04/99 – 08/04/03	25.00p	2,700,000	3,500,000
09/04/96	09/04/99 – 08/04/03	41.25p	802,000	889,273
31/07/97	31/07/00 – 30/07/07	160.00p	1,007,000	1,168,000
16/03/98	16/03/01 – 15/03/08	300.00p	571,400	684,900
01/04/99	01/04/02 – 31/03/09	565.00p	141,331	237,204
05/05/99	05/05/02 – 04/05/09	565.00p	306,255	329,665
24/08/99	24/08/02 – 23/08/09	565.00p	22,573	22,573
24/08/99	24/08/03 – 23/08/09	565.00p	13,724	13,724
30/06/00	30/06/03 – 29/06/10	377.50p	92,000	92,000
30/06/00	30/06/04 – 29/06/10	377.50p	66,000	66,000
30/06/00	30/06/05 – 29/06/10	377.50p	40,000	40,000
27/09/00	27/09/03 – 26/09/10	380.00p	1,273,471	1,431,471
27/09/00	27/09/04 – 26/09/10	380.00p	289,998	289,998
27/09/00	27/09/05 – 26/09/10	380.00p	289,998	289,998
20/03/01	20/03/04 – 19/03/01	333.50p	158,995	158,995
20/03/01	20/03/05 – 19/03/11	333.50p	150,000	150,000
20/03/01	20/03/06 – 19/03/11	333.50p	200,000	200,000
19/09/01	19/09/04 – 18/09/11	245.00p	100,000	150,000
19/09/01	19/09/05 – 18/09/11	245.00p	50,000	50,000
19/09/01	19/09/06 – 18/09/11	245.00p	50,000	50,000
10/04/02	10/04/05 – 09/04/12	322.00p	864,482	–
10/04/02	10/04/05 – 09/04/12	331.00p	81,000	–
11/10/02	11/10/05 – 10/10/12	220.00p	85,000	–
			9,370,227	9,919,801

During the year options in respect of 448,783 shares lapsed, 1,131,273 were exercised and 1,030,482 new options were granted.

Notes to the financial statements

22 Share capital continued

Computacenter Sharesave Scheme

The Company established the Computacenter Sharesave Scheme, which is available to all employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. Under the scheme the following options have been granted and are outstanding at the year-end:

Date of grant	Share price	Exercisable between	Number
August 1998	670.00p	01/09/03 – 28/02/04	7,908
September 1998	425.00p	01/12/03 – 31/05/04	242,943
September 1999	565.00p	01/12/02 – 31/05/03	50,956
September 1999	565.00p	01/12/04 – 31/05/05	13,009
September 2000	435.00p	01/12/03 – 31/05/04	8,408
September 2000	435.00p	01/12/05 – 31/05/06	4,107
January 2001	350.00p	01/02/04 – 31/07/04	159,668
January 2001	350.00p	01/02/06 – 31/07/06	106,638
October 2001	185.00p	01/12/04 – 31/05/05	1,282,071
October 2001	185.00p	01/12/06 – 31/05/07	634,217
October 2002	220.00p	01/12/05 – 31/05/06	796,698
October 2002	220.00p	01/12/07 – 31/05/08	668,388
			3,975,011

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

Computacenter Performance Related Share Option Scheme

Under the Computacenter Performance Related Share Option Scheme, options can be granted and those options will be subject to certain performance conditions, designed to produce significant and sustained improvements in the Company's underlying performance. During the year 280,666 options were granted and at 31 December 2002 these were outstanding as follows:

Date of grant	Exercisable between	Exercise price	2002 Number outstanding	2001 Number outstanding
25/04/00	25/04/03 – 24/04/10	942.50p	33,156	33,156
20/03/01	20/03/04 – 19/03/11	333.50p	84,708	84,708
10/04/02	10/04/05 – 09/04/12	322.00p	280,666	–
			398,530	117,864

23 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
<i>Group</i>						
At 1 January 2001	9,201	67,568	-	-	127,304	204,073
Shares issued	80	1,142	-	-	-	1,222
Total recognised gains in the year	-	-	-	-	19,312	19,312
Goodwill reinstated on disposal	-	-	-	-	2,644	2,644
Equity dividends	-	-	-	-	(5,435)	(5,435)
At 31 December 2001	9,281	68,710	-	-	143,825	221,816
Shares issued	56	294	-	-	-	350
Shares repurchased	(100)	-	100	-	(4,646)	(4,646)
Total recognised gains in the year	-	-	-	-	38,270	38,270
Equity dividends	-	-	-	-	(10,657)	(10,657)
At 31 December 2002	9,237	69,004	100	-	166,792	245,133

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
<i>Company</i>						
At 1 January 2001	9,201	67,568	-	55,990	996	133,755
Shares issued	80	1,142	-	-	-	1,222
Total recognised gains in the year	-	-	-	-	4,497	4,497
Equity dividends	-	-	-	-	(5,435)	(5,435)
At 31 December 2001	9,281	68,710	-	55,990	58	134,039
Shares issued	56	294	-	-	-	350
Total recognised gains in the year	-	-	-	-	15,259	15,259
Shares repurchased	(100)	-	100	-	(4,646)	(4,646)
Equity dividends	-	-	-	-	(10,657)	(10,657)
At 31 December 2002	9,237	69,004	100	55,990	14	134,345

The cumulative amount of goodwill resulting from acquisitions which has been written off directly to reserves is £79,469,000 (2001: £79,469,000). This goodwill would be charged in the profit and loss account on subsequent disposal of the businesses to which it relates. All shareholders' funds are attributable to equity interests in the Company.

24 Reconciliation of operating profit to operating cash flows

	2002 £'000	2001 £'000
Operating profit	56,167	55,083
Depreciation	17,138	17,847
Impairment of listed investment	1,865	2,099
Amortisation of positive goodwill	449	329
Impairment of positive goodwill	2,899	-
Amortisation of negative goodwill	(3,728)	-
Loss on disposal of fixed assets	110	836
Termination of UK operation - iGroup	-	(2,531)
Decrease in debtors	8,955	42,983
(Increase)/decrease in stocks	(282)	24,059
Decrease in creditors	(23,708)	(54,755)
Currency and other adjustments	749	626
Net cash inflow from operating activities	60,614	86,576

Notes to the financial statements

25 Analysis of gross cash flows

	2002 £'000	2001 £'000
Returns on investments and servicing of finance		
Interest received	7,367	7,815
Interest paid	(7,835)	(9,330)
Net cash outflow for returns on investments and servicing of finance	(468)	(1,515)

	2002 £'000	2001 £'000
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(9,154)	(17,706)
Receipts from sales of tangible fixed assets	807	769
Investment in joint venture	(750)	(1,750)
Net cash outflow for capital expenditure and financial investment	(9,097)	(18,687)

	2002 £'000	2001 £'000
Acquisitions and disposals		
Payments to acquire interest in subsidiary undertakings	(419)	-
Receipt from sale of shares in associate	38	-
Net cash acquired with subsidiary undertakings	8,521	-
Payment to acquire business	(581)	(1,357)
Termination of German operation	-	(3,080)
Net cash inflow/(outflow) for acquisitions and disposals	7,559	(4,437)

	2002 £'000	2001 £'000
Financing		
Issue of ordinary share capital	350	1,222
Repurchase of own shares	(4,646)	-
Net repayment of capital element of finance leases	(474)	-
Bonds repurchased	(38,313)	(1,500)
Net cash outflow from financing	(43,083)	(278)

26 Analysis of changes in net funds

	At 1 January 2002 £'000	Cash flows in year £'000	Other non-cash changes £'000	At 31 December 2002 £'000
Cash at bank and in hand	109,665	(17,593)	-	92,072
Bank overdrafts	(17,935)	10,309	-	(7,626)
	91,730	(7,284)	-	84,446
Debt due within one year	(38,117)	38,313	(196)	-
Finance leases	-	474	(1,164)	(690)
Debt due after one year	(326)	-	-	(326)
	53,287	31,503	(1,360)	83,430

27 Other financial commitments

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

	2002		2001	
	Land/buildings £'000	Other £'000	Land/buildings £'000	Other £'000
<i>Group</i>				
Operating leases which expire:				
Within one year	225	2,114	557	2,326
Between two and five years	637	3,874	829	2,934
Over five years	4,692	–	3,782	–
	5,554	5,988	5,168	5,260

28 Capital commitments

At both 31 December 2001 and 31 December 2002 all future contracted Group capital expenditure had been provided for.

29 Contingent liabilities

The Group has given a VAT deferred import duty guarantee of £500,000 (2001: £250,000).

Computacenter (UK) Limited has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding £994,000 (2001: £1,137,000).

Computacenter plc has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December 2002 is £7,441,000 (2001: £22,117,000).

30 Related party transactions*Group*

Biomni, the joint venture between Computacenter and Dealogic Limited, (formerly known as Computasoft 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 £3,759,000 (2001: £3,759,000). Both PJ Ogden and PW Hulme are Directors of and have a material interest in Dealogic Limited.

During the year, the Group supplied goods to Dealogic in the normal course of business totalling £114,470 (2001: £376,000). At 31 December 2002 Dealogic owed the Group £nil (2001: £26,000).

Notes to the financial statements

31 Financial instruments

The Group's approach to managing financial risk is described in the Finance Director's review on pages 16 and 17.

a) Interest rate risk

Financial liabilities

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

	At fixed interest rates £'000	At floating interest rates £'000	Interest free £'000	Total £'000
2002				
Sterling	–	511	690	1,201
Euro	–	7,441	–	7,441
	–	7,952	690	8,642
	At fixed interest rates £'000	At floating interest rates £'000	Interest free £'000	Total £'000
2001				
Sterling	38,117	326	–	38,443
Euro	–	17,935	678	18,613
	38,117	18,261	678	57,056

The weighted average period for maturity of financial liabilities at 31 December 2002 is one year (2001: one year).

The financial liabilities of the Group comprise:

	2002 £'000	2001 £'000
Fixed rate bonds	–	38,117
Other borrowings	7,952	18,261
Finance leases	690	–
Other creditors due after one year	–	678
	8,642	57,056

Financial assets

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

	At floating interest rates £'000	Interest free £'000	Total £'000
2002			
Sterling	91,228	2,755	93,983
Euro	844	–	844
	92,072	2,755	94,827

31 Financial instruments continued

	At floating interest rates £'000	Interest free £'000	Total £'000
<i>2001</i>			
Sterling	103,388	4,620	108,008
Euro	6,277	–	6,277
	109,665	4,620	114,285

The financial assets of the Group comprise:

	2002 £'000	2001 £'000
Cash and deposits	92,072	109,665
Long-term equity investments	2,755	4,620
	94,827	114,285

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.

b) Currency exposure

The Group does not have any significant currency exposures on monetary assets and liabilities. No Group company holds significant monetary assets or monetary liabilities that are not denominated in the functional currency of the company involved. At 31 December 2002, the UK company had entered into a forward contract to purchase €60 million at an exchange rate of 1.562 (2001: nil).

c) Maturity of financial liabilities

	2002 £'000	2001 £'000
In one year or less, or on demand	8,316	56,730
In more than one year but not more than two years	326	–
In more than two years but not more than five years	–	326
	8,642	57,056

d) Undrawn committed borrowing facilities

The Group has various available borrowing facilities. The undrawn committed facilities available at 31 December 2002 in respect of which all conditions precedent had been met were £69,618,000 (2001: £28,724,000). All of these facilities are subject to annual review.

e) Fair value of financial instruments

	2002		2001	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Interests in equities	2,755	2,755	4,620	3,209
Cash and deposits	92,072	92,072	109,665	109,665
Fixed rate bonds	–	–	(38,117)	(39,343)
Other borrowings	(8,642)	(8,642)	(18,261)	(18,261)
Other creditors due after one year	–	–	(678)	(678)
Forward foreign currency contract	–	701	–	701
	(8,642)	(7,941)	(57,056)	(58,282)

32 Post balance sheet event

On 2 January 2003, Computacenter plc completed the acquisition from GE of the businesses of GE CompuNet in Germany and GECITS in Austria. The initial consideration of €57 million (£36.5 million) was payable on completion, with up to a further €64 million (£41.0 million) being payable contingent on the financial performance of the acquired businesses over 2003 and 2004.

Five year financial review

	Year ended 31 December				
	1998 £'m	1999 £'m	2000 £'m	2001 £'m	2002 £'m
Turnover	1,586.2	1,760.6	1,988.4	2,093.4	1,926.7
Operating profit	66.3	75.6	61.4	55.1	56.2
Profit on ordinary activities before taxation	64.6	75.1	55.6	34.9	55.1
Profit on ordinary activities after taxation	43.4	53.0	39.2	19.1	37.0
Diluted earnings per share (excluding exceptional items)	23.5p	28.1p	20.8p	17.9p	19.3p
Year-end headcount	4,582	5,618	5,788	5,894	6,022

Summary balance sheet

	Year ended 31 December				
	1998 £'m	1999 £'m	2000 £'m	2001 £'m	2002 £'m
Intangible assets	–	3.8	6.2	8.0	0.2
Tangible assets	59.8	96.6	109.4	103.5	96.7
Investments	1.4	2.8	11.8	13.5	12.4
Stocks	109.8	92.9	119.6	95.4	95.7
Debtors	236.6	244.2	339.6	295.8	286.9
Cash	63.6	63.7	71.6	109.7	92.1
Creditors due within one year	(307.4)	(292.8)	(410.0)	(395.7)	(328.5)
Creditors due after one year	(42.0)	(41.0)	(39.5)	(2.0)	(1.6)
Provisions	(1.0)	(1.7)	(4.5)	(6.2)	(8.6)
Net Assets	120.8	168.5	204.2	222.0	245.3

Financial calendar

Record date:	2 May 2003
Annual General Meeting:	9 May 2003
Dividend Payment date:	30 May 2003
Interim Report 2003 mailed to shareholders:	September 2003
Annual Report 2003 mailed to shareholders:	April 2004
Annual General Meeting:	May 2004

Corporate information

Board of Directors:

Ron Sandier (Executive Chairman)
Mike Norris (Chief Executive)
Tony Conophy (Finance Director)
Nick Cosh (Non-Executive Director)
Philip Hulme (Non-Executive Director)
Peter Ogden (Non-Executive Director)
Cliff Preddy (Non-Executive Director)

Company Secretary:

Alan Pottinger FCIS

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