Annual Report and Accounts 2001
Where vision meets know-how

www.computacenter.com

Computacenter

Where vision meets know-how

The effective use of IT is central to business success. Increasingly, companies require a trusted service partner to help them plan, deploy and support their IT infrastructures.

In 2001 we once again helped our customers realise competitive advantage from technology; through anticipating and acting on their needs, by continuous investment in our systems and services, and through the quality and ongoing commitment of our staff.

Group at a glance 2001

Computacenter offers services at every stage of infrastructure investment. We help our customers with the choice of technology, its procurement, tailored configuration, testing and integration within the enterprise. We then ensure continued efficient, cost effective performance through our range of operational management services.

Business activity

Aligned to the business

To help us tailor a solution to its business, every customer is allocated a team of service and account specialists dedicated to one of the following sectors.

Communications
Including telecommunications, cable, internet and networking.

Retail Finance
Including banks and insurance.

City
Including investment banking, legal and accountancy.

Government
Central and local government.

Commercial
Including retail, energy, pharmaceutical, manufacturing and utilities.

Trade
Through CCD (Computacenter Distribution), we supply hardware and a range of services to UK resellers who do not have the scale, or do not choose, to deal directly with vendors.

Scotland
Covering the particular requirements of business north of the border.

We also have geographically-based teams serving the requirements of organisations in France, Belgium and Luxembourg.

Tailoring solutions

Our account teams provide the vital link in identifying and managing our customers' requirements and engaging the appropriate service providers. They draw from a rich pool of expertise that includes dedicated on-site personnel, technical consultants and project managers.

Our services can be taken singly or as integrated solutions and can be split into the following broad categories:

Logistical services
Computacenter provides a single source for a customer's entire IT procurement needs. Our logistics centres in the UK and France provide customised configuration and delivery services. Our consultants and engineers specify, test and install the most appropriate, cost-effective technology and then ensure it is kept running, 24 hours a day, 365 days a year.

Implementation and integration services
We help organisations make more efficient, cost-effective use of their IT systems. Services include consolidating widely dispersed IT infrastructures, implementing local or remote hosted environments and optimising our customers' security, application, network and storage platforms.

Operational management services
Computacenter reduces the cost and increases the value of our customers' infrastructures, while minimising the management burden. Our selective outsourcing services range from managing on-site or centralised help desks, through responsibility for all large-scale infrastructure moves and changes, to the management of streamlined e-procurement systems.
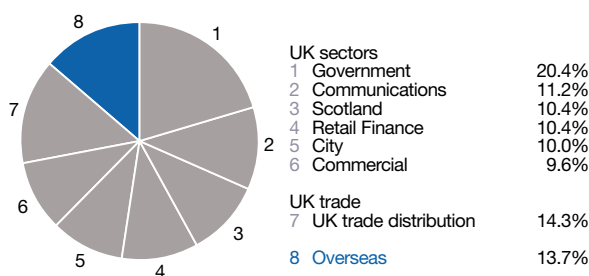
Coverage

United Kingdom
Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Gatwick, Hatfield, Leeds, London, Maidenhead, Manchester, Milton Keynes, Reading, Swindon, Watford

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

Belgium and Luxembourg
Brussels, Luxembourg

ICG
Computacenter is a founding member of the International Computer Group (ICG), a worldwide network of partners in over 100 countries serving customers who require IT products and services deployed internationally.
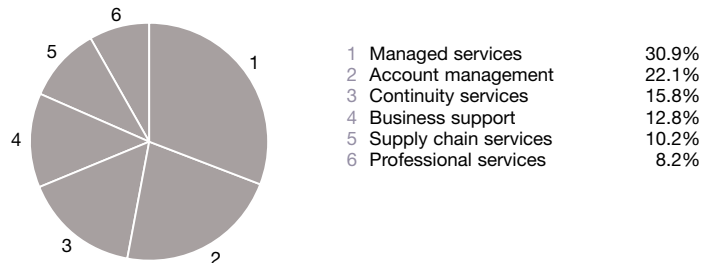
For more information, visit
www.icg-global.com

Highlights 2001	2000 £million	2001 £million
Group turnover	£1,988.4	£2,093.4
Group operating profit[1]	£61.4	£55.1
Profit before tax[2]	£55.6	£51.1
Diluted earnings per share[3]	20.8p	17.9p
Year end Group employee numbers	5,788	5,894

1 Excluding results of overseas associated undertakings and joint ventures.
2 Calculated as profit before tax excluding non-operating exceptional items.
3 Excluding non-operating exceptional items.

Revenue by continuing activity 2001

UK sectors
1	Government	20.4%
2	Communications	11.2%
3	Scotland	10.4%
4	Retail Finance	10.4%
5	City	10.0%
6	Commercial	9.6%

UK trade
| 7 | UK trade distribution | 14.3% |
| 8 | Overseas | 13.7% |

Employees by activity 2001

1	Managed services	30.9%
2	Account management	22.1%
3	Continuity services	15.8%
4	Business support	12.8%
5	Supply chain services	10.2%
6	Professional services	8.2%

Turnover over 5 years (£millions)

1997	1998	1999	2000	2001
1,133.5	1,586.2	1,760.6	1,988.4	2,093.4
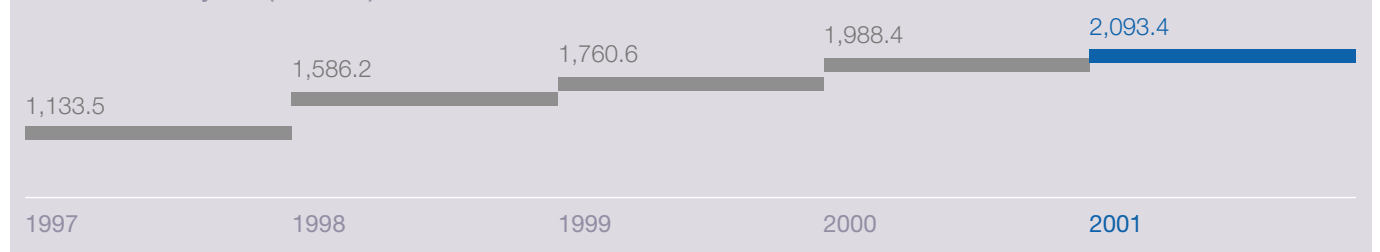
Chairman's statement

"Whilst product sales weakened as the year progressed, demand for infrastructure services held up well."

2001 started strongly for Computacenter. Excellent trading conditions in the Group's core markets led to exceptional first quarter performance. However, as the year progressed, a marked slowdown in the IT spend of Computacenter's corporate customers became evident, reflecting the general deterioration in the state of the global economy. The second half of the year was characterised by weak market demand, with sales of the Group's products and services to the telecoms and investment banking sectors being particularly depressed.

In response to these difficult trading conditions, we maintained tight control over costs and took appropriate steps to eliminate areas of unnecessary expenditure. It is also pleasing to report that our efforts in recent years to expand our services activities, both contracted and non-contracted, are starting to show rewards. The benefits of this strategy, in giving the Group greater resilience to adverse market conditions, were clearly evident as the year progressed.

Buoyed by the strong first quarter, Computacenter's revenues in 2001 grew by 5.3% to £2.09 billion. Profit before tax, post-Biomni and before non-operating exceptional charges, was £51.1million (2000: £55.6 million). Diluted earnings per share, pre-exceptional items, were 17.9p (2000: 20.8p). The Group's share of losses in our e-commerce joint venture, Biomni, was £2.2 million (2000: £3.6 million).

The Group's cash position remained strong, with net funds at the year-end of £53.3 million, compared to £13.4 million in the previous year. With the completion of the investment in the Operations Centre in Hatfield, capital expenditure in 2001 of £15.8 million (2000: £27.5 million) returned to a more normal level.

In recent years, Computacenter has paid considerable attention to strengthening its services activities, to complement the core product logistics business. Whilst product

"The Group's cash position remained strong, with net funds at the year-end of £53.3 million, compared to £13.4 million in the previous year."

sales weakened as the year progressed, reflecting curtailment in customers' IT expenditure, demand for infrastructure services, particularly of an outsourcing nature, held up well. As a result, UK managed services revenues in 2001 grew by 18.0% and for the year as a whole, utilisation of our services personnel was high. We anticipate that our services activities will continue to make an increasingly significant contribution to the Group's financial performance in the future.

2001 was a year of considerable change for Computacenter, bringing with it the implementation of a major reorganisation, the migration of the logistics operations to Hatfield, the withdrawal from unprofitable non-core activities, an important acquisition, and further efforts to strengthen and expand the services activities of the Group. I am confident that the combination of these initiatives provides a strong platform for growth, and improves our ability to capitalise on any future recovery in IT markets.

The reorganisation of our UK operations came into full effect at the start of the year. Its principal purpose was to serve our customers on a more integrated basis across the full spectrum of our product and services offerings. An ancillary benefit was the opportunity it offered to organise the UK sales effort along industry sector lines, matching the approach taken by our principal vendors. The benefits of this reorganisation, coupled with the hiring during the year of a number of new senior personnel, are already clearly apparent, most obviously in the growth of our services revenues.

The migration to our new state-of-the-art Hatfield logistics facility was completed during 2001. Whilst the complex transfer of operations inevitably led to some modest disruption in our supply chain services over the summer months, no major problems were encountered. Hatfield is also the location of our £11 million investment in the new Solutions Centre,

a facility to allow our customers to test alternative enterprise infrastructures, which became operational early in 2002.

During the year, decisions were taken to withdraw from two loss-making non-core activities, the iGroup and Computacenter Germany, resulting in exceptional charges for the Group of £16.2 million, of which £2.6 million represents goodwill on acquisition previously written off. In the case of Computacenter Germany, the withdrawal was achieved by sale of the business to GE Capital IT Solutions (GECITS) whilst at the same time we entered into agreements to acquire the UK and French businesses of GECITS. Computacenter and GECITS have entered into an exclusive cooperation agreement to ensure that both organisations can continue to support their customers on a multi-country basis.

Contracted managed services account for a high proportion of the activities of both the UK and French businesses of GECITS that we acquired, and this reinforces our commitment to expanding the services side of our business. Considerable efforts were made during the year to strengthen our services capability and further develop the skills, management tools and best practices that underpin our competitiveness.

Computacenter France performed impressively in 2001. Revenues grew by 22.4% to £262.5 million, with record operating profits of £6.0 million (2000: £1.7 million). With the completion of the French element of the GECITS transaction in February 2002, Computacenter is now strongly positioned as a leading competitor in the French market.

Our performance in 2001 demonstrates that we have a robust, cash generative business with an increasing proportion of our income arising from the provision of services. We remain cautious about the trading outlook for 2002, as markets remain subdued, making it difficult to

forecast the result for the year. We would expect to have a clearer view as the year progresses. However, we continue to work towards delivering an improved performance over 2001, although this does assume some improvement in market conditions later in the year.

I am pleased to welcome two new non-executives to the Computacenter Board, Nick Cosh and Cliff Preddy. Both were appointed in January 2002, and I am confident that we will benefit greatly from their skills and experience in the years ahead. Adrian Beecroft and Rod Richards have resigned from the Board, having been involved with Computacenter since 1985 and 1991 respectively. Adrian and Rod have made enormous contributions to Computacenter over the years, helping to guide the Group from its venture capital backed origins into the publicly listed arena. We are immensely grateful for all they have done for Computacenter.

It is the staff of Computacenter who are responsible for our commercial success. The difficult trading conditions experienced in the second half of 2001 unquestionably put considerable pressure on our staff, who responded to the challenge with their customary drive and determination. I should like to extend my thanks and appreciation to all Computacenter employees for their commitment and hard work. It is pleasing to note that over 55% of our employees have a financial interest in the Group, either through a shareholding or share options.

Finally, I am pleased to recommend an unchanged final dividend of 2.9p per share, payable on 30 May 2002 to registered shareholders as at 3 May 2002.

Ron Sandler
Chairman

Growth in UK managed services contract base, 1997 year-end to 2001 year-end
£million
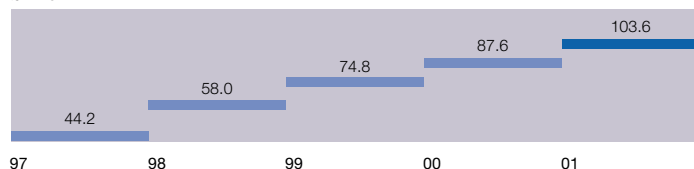
Year	£million
97	44.2
98	58.0
99	74.8
00	87.6
01	103.6

"Considerable efforts were made during the year to strengthen our services capability and further develop the skills, management tools and best practices that underpin our competitiveness."

Chief Executive's review

"2001 saw higher professional services utilisation rates and a growing managed services contract base."

"Computacenter signed its first ten-year managed services contract, with the Health and Safety Executive (HSE) in July."

After a very strong first quarter, Computacenter's performance was affected by the deteriorating economic climate, with corporate IT spending falling off markedly in the second half of the year. However our strategic focus on strengthening our services activities during 2001 improved the Group's resilience to these more challenging market conditions.

In recent years, an increasing number of our customers have turned to Computacenter for assistance in leveraging their IT infrastructures to streamline business processes, improve speed to market or make critical information more readily available. These requirements continued to be in evidence in 2001. In addition, and particularly as the economic outlook became less buoyant over the course of the year, IT cost containment became an increasing priority for our customers, and this led to a greater demand for managed services and, in particular, outsourcing.

UK
In 2001 we began to see the benefits of the major reorganisation, conducted at the end of 2000 in order to increase our customer focus, improve our operational effectiveness and help us deliver an integrated suite of services tailored to our customers' needs. Partly as a result of these initiatives, 2001 saw higher professional services utilisation rates and a growing managed services contract base. This served to mitigate the decline in product supply revenue, which in the

UK fell in the second half of 2001 by 28% compared to the first half.

In addition to our progress in professional and managed services, Computacenter benefited from relatively buoyant capital expenditure in the government sector, where revenues increased from 14.3% of our business in 2000 to 24.1% in 2001. However there were sharp declines in infrastructure investment in many industries, particularly financial services and telecommunications, both sectors having fuelled much of Computacenter's growth in recent years. This shift in our market mix is the principal reason for the decline in our UK product margin in 2001, since government sector business attracts lower than average margins for Computacenter.

Consistent with our strategy of growing the Group's high-value services business was the decision, in the second half of the year, to acquire the UK business of GE Capital IT Solutions (GECITS), a wholly-owned subsidiary of GE Capital. The integration of the GECITS business will add to our services offering in the UK, increasing our specialist knowledge in complex networking, storage and server technologies, particularly Cisco and Citrix. Former GECITS accounts transferring to Computacenter include Marks and Spencer, Safeway, Worldcom, National Grid and Northumbria Water. This acquisition, which involved absorbing almost 250 GECITS staff, was completed in December 2001.

Our managed services are directed towards helping our customers increase the value and reduce the cost of their IT infrastructures. Among the many significant managed services wins in 2001 was Computacenter's first ten-year contract, with the Health and Safety Executive (HSE) in July. In partnership with CMG, Computacenter will provide a broad range of services including management consultancy, advice on emerging technologies and IT infrastructure management.

Whilst our traditional product supply business suffered in the investment banking sector, we continued to win managed services business, including a major three-year contract with BNP Paribas. This covers the provision of a first line help desk, IT support for the bank's traders and the management of desktop and server infrastructure moves and changes.

Other significant new managed services accounts included the Traffic Area Network (TAN) unit of the Department of Transport, Local Government and the Regions, and a major international oil company. The TAN contract is for five years, with an option to extend to ten, and covers support for the unit's entire desktop and server infrastructure, including the maintenance and management of all applications and network connectivity. The contract with the oil company is to support a new infrastructure, the UK roll-out of which has also been awarded to Computacenter.

Technology on demand – the Operations Centre
Our Operations Centre at Hatfield represents a substantial investment in state-of-the-art logistics and configuration technology. Its configuration service covers mobiles, desktops, servers (both UNIX and 'Wintel' based) and networking technology.

A growing number of organisations are looking for a partner to provide end-to-end management for the entire technology life-cycle. An important component in that comprehensive service offering is the end-of-life asset management services offered by our subsidiary RDC, the largest dedicated company in its field in Europe. Throughout 2001, RDC continued to grow and mature as the leading provider in the UK, processing 286,000 units, an increase of 43% on 2000. Over 83% of this total was either re-marketed or recycled for re-use. The company's contract base grew by 40% to 410 accounts, and in August the company was accredited to ISO 14001, the international environmental management standard.

We continued to win significant new business in our traditional product supply activity, where we are increasingly finding opportunities to take a managed procurement role. In May the Office of Government Commerce (OGC) confirmed that Computacenter had been awarded two five-year contracts to supply its full range of services, including IT managed services, hardware maintenance, telecoms, hardware and software to government departments under the GCat2 framework agreement. Computacenter ran the former GCat scheme from 1997 until its conclusion in September 2001.

In other procurement successes, Consignia appointed us sole supplier for the procurement of all its hardware and software, and in the second half of the year, we won a major technology roll-out project for the Department of Work and Pensions, the largest central government department. Computacenter also won the contract to supply IT Direct, a procurement service provided to the Lloyd's of London and Baltic Exchange markets. This contract gives 800 companies, involving approximately 100,000 users, access to our technology and services.

CCD, our trade distribution business, which offers products and logistics services to resellers, took increased market share with several of its key vendors in 2001, despite the considerable pressures on its customer base, the reseller community.

We have created a strong platform for the future growth of our product supply business with the migration of our logistics and configuration facility to our new state-of-the-art Hatfield Operations Centre during the year. This large-scale and complex project, which was completed with minimal service disruption, will offer Computacenter customers faster, lower cost product delivery and an enhanced range of customised services.

A further investment at Hatfield in 2001 is in our recently opened Solutions Centre. The first of its kind in the UK, this facility is designed to test enterprise technologies across a wide range of platforms and vendors. By giving us the ability to simulate entire complex infrastructures, it allows us to test and tailor solutions to the specific needs of our customers' businesses.

In the early months of 2002 we confirmed that we were in discussions with the BT Group concerning a strategic partnership for the provision of desktop support services. This contract will involve the transfer of nearly 400 staff under TUPE regulations. It will involve the support of approximately 100,000 desktop users and will generate services revenue in excess of £150 million over five years, representing a considerable expansion of Computacenter's managed services contract base. In addition to this contract our existing supply agreement with BT will be extended for a corresponding period. We expect that this contract will be agreed in March 2002.

France
Computacenter France had its best year since its inception, achieving revenues of £262.5 million, a growth of 22.4% over 2000, and operating profits of £6.0 million (2000: £1.7 million). We increased market share as the French market consolidated further, a process we expect to continue in 2002.

We saw strong services growth across our French client base, including wins with Elior, EDF (Electricité de France), Groupe Schneider and a considerable extension in the scope of service

Managing risk – the Solutions Centre
Our Solutions Centre ensures that technology solutions are certified robust, compatible and appropriate to our customers' needs prior to their introduction into a live business environment. The first of its kind in the UK, our new facility is designed to test enterprise technologies from across the IT spectrum.

"Consistent with our strategy of growing the Group's high-value services business were the acquisitions of the UK and French businesses of GE Capital IT Services (GECITS)."

provided to France Telecom. Significant procurement contracts were also won with the French army (Groupement des Achats Informatiques des Armées), the ONF (Office National des Forêts) and Alcatel.

Alongside the acquisition of GECITS UK, Computacenter acquired the French service business of GECITS (formerly ISTA). This was successfully completed in February 2002. We are confident that this acquisition will significantly enhance our services capability in France.

Belgium and Luxembourg

The slowdown in capital expenditure in the UK adversely affected our BeLux operation during 2001, as UK customers cut back on the international projects that account for an appreciable portion of BeLux revenues. Although this impacted product sales significantly, the acquisition of Inacom Services Europe SA in 2000 began to bear fruit in 2001, with service revenues growing 70% H2 2000 to H2 2001.

Although performance overall was disappointing, the BeLux operation won a number of important infrastructure services contracts in 2001, including the support of a new global IT infrastructure for Six Continents (formerly Bass Hotels & Resorts), covering over 100 hotels throughout Europe.

Biomni

The market for e-procurement software in 2001 was difficult. Despite this Biomni,

our joint venture with Dealogic (formerly Computasoft e-Commerce), made satisfactory progress, with our share of losses reduced from £3.6 million to £2.2 million. The company grew its revenues by over 73% on the same period last year and continued to build a client base independent of Computacenter, adding over 35 new customers to its B2B e-commerce community. There were significant implementations at several large organisations, including Wincanton and the Foreign and Commonwealth Office.

In 2001, Biomni was awarded the Chartered Institute of Purchasing and Supply Certificate of Excellence for its own processes, the only e-procurement vendor to achieve this level of accreditation.

Sharpening focus

In 2001, Computacenter took decisions to withdraw from those activities it considered to be both peripheral and unlikely to generate adequate levels of profitability.

Our iGroup division in the UK, which developed intranet-based knowledge management solutions, was closed and some of its hosting services transferred to our core managed services portfolio.

In December, Computacenter completed the sale of its business interests in Germany to GECITS, which trades as GE CompuNet in that country. It had become increasingly clear that Computacenter Germany lacked the

scale and geographical coverage to compete effectively. We believe that combining the business with GECITS will offer a more credible proposition for customers in that market.

Appointments

There were some significant new senior appointments in 2001. In June, Tim Way joined Computacenter as Director of HR and Customer Satisfaction. He joins us from United Biscuits, where he was Strategic HR and Corporate Affairs Director.

In August, Mark Slaven joined us from Deloitte Consulting as Director of Information Systems, with overall responsibility for internal IS Operations and Development. Within UK Operations, Joe Edwards joined us from Cap Gemini to lead our Retail Finance customer sector.

Mike Norris
Chief Executive Officer

Seamless support – the ISC
Computacenter's International Support Centre (ISC) in Liverpool provides a range of managed services, such as help desk support, to international customers. All technical analysts are required to speak a minimum of two languages and coverage is 24x7.

In partnership

We are committed to long-term partnerships that continue to deliver real value to our customers, whatever their changing needs. The following pages show how we worked closely with three of our customers in 2001, understanding their issues and developing innovative solutions to realise value from technology.

"**Computacenter is highly committed** to increasing customer service and demonstrating cost-efficiency."

Stephen Griffiths, Desktop Manager,
Corporate Business and Functions,
BNP Paribas

Challenge
BNP Paribas, as a powerful and efficient financial services group, demands an extremely high level of IT service for its trading operations and corporate business services. The challenge for Computacenter was to offer a high, and ever-increasing, level of service to BNP Paribas employees, while ensuring that any support solution integrated seamlessly with the Bank's own infrastructure and application support services.

BNP Paribas & Computacenter
A proven record

Approach
Computacenter's confidence in its ability to raise service levels meant that it could offer BNP Paribas a managed services contract that guaranteed service improvements, applying ITIL-approved best practice in the areas of problem and incident management. Performance is constantly monitored and regularly reported and reviewed. Automated surveys of all BNP Paribas' staff are conducted regularly to check that service level performance is matched by increasing customer satisfaction.

Solution
In 2001, this approach resulted in a renewed three-year contract with extended scope. Computacenter's on-site team provides help desk, request management, PC and desktop voice support, NT support, hardware maintenance for PCs and servers, move and change management and resource-based services for projects and large moves. In enlisting the support of a service provider with an understanding of the financial sector, and a proven record of success, BNP Paribas has ensured an ongoing focus on service improvement and cost-effectiveness.

"**I value Computacenter's** mature approach – they are a key strategic advisor to the organisation and played an essential part in helping us achieve better service partner co-operation and co-ordination in 2001."

Brian O'Donnell, IT Director,
SEEBOARD Power Networks

Challenge
SEEBOARD, a leading power utility, wanted to optimise its IT infrastructure to contain costs while achieving improved, consistent levels of service across all business units. To that end it asked Computacenter and its two other major service partners to work together seamlessly across multiple technology platforms, service remits and constituent businesses in a strategic IT partnership that would answer the needs of the group.

SEEBOARD & Computacenter
A mature approach

Approach
As a SEEBOARD strategic technology partner, Computacenter has representatives on SEEBOARD's IT Co-ordination and Technical Architecture Groups, which decide the customer's group architecture and overall IT strategy. One result is a server consolidation project that will reduce overall costs and improve IT operational effectiveness across all businesses, while ensuring each business has a server infrastructure that meets its local needs. The project for SEEBOARD Energy is close to completion, with the other businesses expected to complete in 2002.

Solution
By outsourcing its desktop and server infrastructure to Computacenter, SEEBOARD is able to concentrate on its core utilities business. The scope of service has grown substantially since 1997, when we provided desktop and server procurement. Today Computacenter supports 3,500 users across all businesses and over 40 locations. Services encompass 24x7 support for critical systems, first, second and third line help desk support, consultancy, programme management, hardware support, management of all moves and changes, and asset and licence management.

"We started off not knowing Computacenter at all and I will readily admit that I had placed them firmly in the tin-shift camp. We were so wrong – they are far, far more than that."

Madeleine Buchanan, Operations Director,
Translucis

Challenge
Translucis, the digital media network company set up by world-leading premium drinks company Diageo, wanted to reach the core youth advertising market via satellite-linked giant plasma entertainment screens. These would deliver entertainment and advertising to over one million young customers per week at 280 clubs, bars and pubs throughout the UK.

Translucis & Computacenter
An innovative solution

Approach
Computacenter's project management expertise meant the company could provide a single point of contact for implementation, covering shop fitters, specialist cable firms, customer engineers, satellite installers and broadcasters. At each venue, a detailed site survey is followed by equipment sourcing, configuration and installation. Once up and running, Computacenter uses its remote network monitoring services from its Milton Keynes call centre to detect and pre-empt network problems before they impact the service.

Solution
To the customer, "Partnership is not just a word, it requires commitment and service, and that is exactly what Computacenter delivers." The network helps bring in additional revenue for the venues and outlet managers can use the screens to promote the bar or club's events and drinks promotions. Computacenter continues to act as a virtual extension to the Translucis operations team, providing ongoing proactive service management for the distributed satellite-based system.