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.

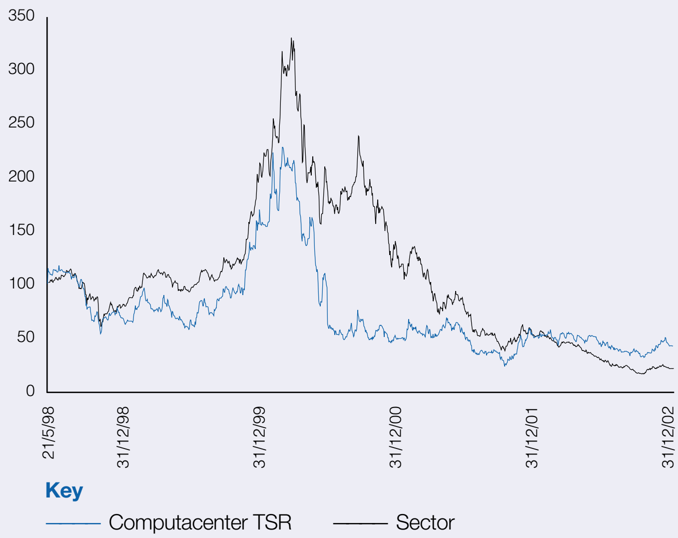
Performance graph

The performance of the Company in relation to other UK-quoted shares is shown in the performance graphs below. These comparisons are taken from the date of Computacenter's initial listing (21 May 1998).

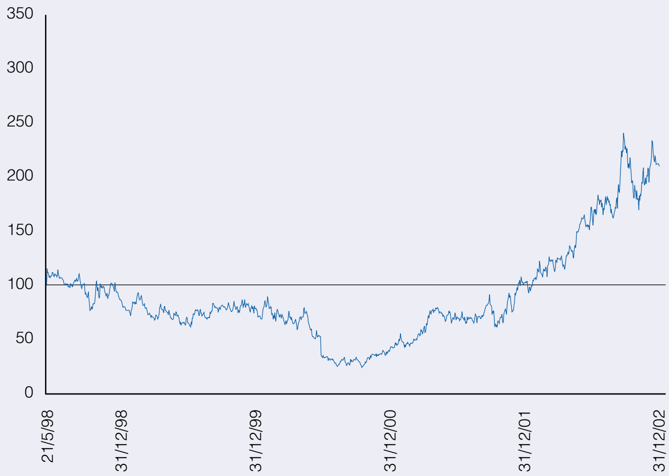
Computacenter's shares are quoted on the London Stock Exchange and the Committee has deemed the FTSE Software & Computer Services sector's share index as the most appropriate comparator against which to assess total shareholder return performance.

Total Shareholder Return Performance:

Computacenter versus FTSE Software and Computer Services sector



Computacenter relative to FTSE Software & Computer Services sector



Both indices are rebased to 100 at 21 May 1998.

Directors' remuneration

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

	Unexpired contract term (months)	Basic salary and fees £	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 Preddy	–	–	–	**–**	–	–	–	**–**

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

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

	Note	2002 £'000	2001 £'000
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

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
Net assets of associated undertaking		
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
Group				
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
Company	
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 £'000	2001 £'000
Group		
Cost	**1,164**	–
Accumulated depreciation	**(255)**	–
Net book value	**909**	–
Depreciation charge for the year	**255**	–

Notes to the financial statements

14 Investments

	2002 £'000	2001 £'000
Group		
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**
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
Provision for joint venture deficit	
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
Group	
At 1 January 2002	2,189
Capital allowances in advance of depreciation	(446)
At 31 December 2002	1,743

	Provided £'000
Company	
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
Authorised		
Equity		
Ordinary shares of 5p each	**25,000**	25,000

	2002 No '000	2002 £'000	2001 No '000	2001 £'000
Allotted, called up and fully paid				
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
Group						
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	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Company						
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
Group				
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
2001			
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 Sandler (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)

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