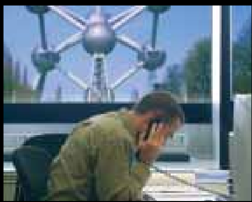
Computacenter plc

Interim Report 2005

Half year results to 30 June 2005



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

Trading update
H1 2005

The first half of 2005 has been a challenging time for Computacenter. The decline in performance is largely attributable to a steep fall in product margins in the UK business. On a more positive note, our UK Managed Services continued to make progress.

Group highlights
H1 2005

Turnover from continuing operations:
£1,151.6m (€1,679.0m)

Operating profit from continuing operations:
£5.4m (€7.9m)

Profit before tax:
£8.2m (€12.0m)

Profit after tax:
£2.1m (€3.1m)

Diluted earnings per share:
1.2p (1.7 cents)

All Euro values were calculated using the rate £1 = €1.459

Chairman's statement

The first half of 2005 has been a challenging time for Computacenter. Group revenues declined to £1.15 billion (2004: £1.23 billion) and profit before tax fell 72.7% to £8.2 million (2004: £30.1 million). The balance sheet remained strong, with net cash increasing by £41.6 million during the period to £87.3 million.

Despite the disappointing earnings, the Board has approved an interim dividend of 2.5p per share (2004: 2.3p) to be paid on 21 October 2005 to shareholders on the register as at 23 September 2005. This is consistent with our policy of seeking to keep the interim dividend at a level equal to one-third of the preceding year's total dividend, and reflects the cash resources of the business.

The decline in performance is largely attributable to a steep fall in product margins in the UK business. This has been due to the combination of lacklustre market demand and intense price competition, which adversely impacted our product revenues and the level of vendor rebates. On a more positive note, our UK Managed Services business continued to make progress, with revenue growth of 1.3% in the period and a number of significant new contracts secured.

We do not consider the deterioration in the competitive environment for our UK product business to be temporary. We believe that for the foreseeable future we will continue to face the challenges of intense price competition, vendors seeking to sell direct to large accounts and substantially lowered vendor rebates. In anticipation of these developments, we embarked last year upon a major strategic reassessment. In the first half of 2005, we completed a fundamental reorganisation of our UK business to create a platform for implementing our new strategy, the principal elements of which include:

- Re-engineering our product business to deliver lower cost account management and sales;
- Building a sizeable presence in the medium-sized business segment;
- Creating a specialist software business unit to increase our share of this market;
- Broadening the depth and range of our technical services activities;
- Capturing greater value from the superior scale of our engineering and maintenance activities by sharing more resource across our customer base;
- Seeking to accelerate the growth of our Managed Services business.

Taken together, these initiatives represent a significant programme of activity.

> In the first half of 2005, we completed a fundamental reorganisation of our UK business to create a platform for implementing our new strategy.

The performance of our European businesses in the first half of 2005 was also disappointing. Computacenter Germany recorded an operating loss of £1.5 million (2004: profit of £2.5 million) on a 3.8% fall in revenues. The German economy remained weak, leading to pressure on both product and service margins. Our efforts to reduce the cost base of the German business to combat the lower margins are continuing. With market conditions in France remaining equally challenging, the revenues of our French business declined 14.2% and the operating loss widened to £7.9 million (2004: £2.0 million). Under-utilisation of our services staff and a reduction in product revenues were the main cause of this deterioration. A new management team in Computacenter France has been installed and further efforts to rectify the poor profitability are underway, principally directed towards significant cost reduction.

I am pleased to say that, shortly after the period end, the tax assets claim raised by GE, relating to our acquisition of GE CompuNet in Germany and GECITS Austria in 2003 (noted as a contingent liability in the Group's 2004 accounts), was satisfactorily resolved. Following the purchase of GE's share of the tax assets, Computacenter has now received €40 million.

With the resolution of this dispute the Board is now able to consider how best to utilise the Group's cash resources for the benefit of shareholders.

Trading has been subdued in July and August, particularly in the UK. Nevertheless, we anticipate a stronger profit performance in the second half and the outlook for the full year remains in line with market expectations. Looking further ahead, the Board is confident that the Group's profits can be improved in the future.

There is no escape from the fact that trading in 2005 has been difficult and Computacenter's performance has been extremely disappointing. Nonetheless, Computacenter's staff have continued to deliver outstanding customer service in difficult trading circumstances, and I am pleased to record my appreciation for their considerable dedication and hard work.

Ron Sandler
Chairman

> With the resolution of the dispute with GE, the Board is now able to consider how best to utilise the Group's cash resources for the benefit of shareholders.

UK

During the first half, difficult trading conditions for our Technology Sourcing activities adversely affected profitability. Declining product revenues, driven by continuing intense price competition, had a particular impact, together with the previously announced deterioration in our trading terms and conditions with HP, our major vendor partner. Substantially lower product sales resulted in Computacenter failing to achieve many of our revenue-related vendor targets. These factors were mainly responsible for a decline in H1 2005 UK operating profit of 49.1%, from £29.3 million to £14.9 million.

Overall, the contribution from our product sales fell by £18.2 million, of which £14.6 million is attributable to lower vendor rebates. This performance underlines the need for the fundamental re-engineering of our Technology Sourcing business model that is now underway.

Some attractive new Managed Services contract wins and high levels of Professional Services resource utilisation helped mitigate the impact of the decline in Technology Sourcing activity. Significant new Managed Services business included the award of five-year contracts by British American Tobacco (BAT) and the UK Highways Agency. Under the former agreement, Computacenter will provide a range of services to help manage BAT's 3,500-plus desktop/laptop estate and file and print servers. Under the terms of the Highways Agency contract, which is worth more than £8 million, Computacenter will deliver a range of services in partnership with information and communications technology specialist Vivista to support the Agency's new Regional Control Centres. We also secured a number of important contract renewals, including a two-year extension of our Managed Services contract with Tradeteam.

Under the terms of our DCSA Catalogue contract we were awarded additional Technology Sourcing business with a number of Ministry of Defence agencies, including the Royal Military Academy Sandhurst and the Defence Procurement Agency.

Following the results of a comprehensive strategy review initiated last year, a major change programme is underway in Computacenter's UK business. This aims to achieve top line growth, reduce further the cost base, and re-organise the business to achieve improved operational performance in the present difficult competitive environment.

To help drive services growth and ensure tighter management of our Technology Sourcing activities in the face of continuing price competition, we

> Significant new UK Managed Services business included the award of five-year contracts by British American Tobacco and the UK Highways Agency.

have created a greater organisational separation between the product and service areas of our business. Consequently we will, for the first time, be in a position to report separate financial results for these businesses at the end of 2006.

To increase market penetration and sharpen our customer offerings, we have created a number of focused business units, within both our product and services activities. These were formally established on 1 July and are responsible for defining and delivering suites of related propositions to the market. Specialist sales teams, together with all personnel required to deliver those offerings, have been allocated to these business units, with the business unit managers having full profit and loss responsibility.

Freed from the operational management of large, often complex service implementations, our sales organisation will concentrate on identifying and realising incremental sales opportunities and on customer relationship management. A slimmed-down sales force will operate across multiple customer segments and a new more accountable commission-led pay plan has been introduced to encourage greater sales entrepreneurship.

We have also established a specific business unit with its own tele-sales capability to address the medium-size business sector. We continue to believe that this sector offers considerable opportunity for Computacenter in the UK, using the leverage provided by our existing logistics and back office infrastructure.

Through these and related initiatives we are confident we can grow the UK business, as well as improve our competitiveness whilst reducing our cost base.

RDC, our re-cycling and re-marketing arm, and CCD, our trade distribution division, also had challenging half-years. The slowdown in hardware sales and related recycling of old equipment reduced RDC volumes by 25%. CCD saw a significant decline in profitability due to margin challenges in a fairly stagnant market and changes to vendor terms.

Germany

Our German business recorded an operating loss of £1.5 million (2004: profit of £2.5 million) on revenues that were 3.8% lower than in H1 2004.

This disappointing result reflects the continuing weak economic climate, with German organisations still focusing heavily on cost reduction and delaying capital investment. We saw an increased number of 'Wintel' implementations, although expenditures in the more profitable areas of datacentre and networking technologies were particularly subdued, adversely affecting the product mix and resulting in a 0.7% product margin decline.

Services fared rather better, and although margins declined slightly, overall services revenues were up 6.5% on H1 2004, with good levels of resource utilisation, particularly for customer engineering projects. We also saw strong Professional Services growth, fuelled by customer interest in IT security, combined voice/data telephony and mobile technology solutions.

Intense price pressure affected services margins, however, which declined by 3.9%. The tendency

> A major UK change programme aims to achieve top line growth, reduce further the cost base, and re-organise the business to improve operational performance.

for many German organisations to frequently re-tender contracts to lower their costs was an important factor in this reduction. A difficult start-up of one new contract in particular impacted service margins; however we expect this situation to improve in the second half of this year. Although we are making good progress with our programme to encourage customers to transfer to longer-term Managed Service contracts, with built-in cost and service improvements, the conversion to this type of contract is inevitably taking some time.

Since December there has been a further 5.7% growth in our Managed Services contract base. Important wins included the award of a contract by Sparkasse Hannover under the framework of our partnership with FinanzIT, a major IT supplier to the German Savings Banks Organisation. The Sparkasse Hannover contract covers end-to-end management for 3,500 IT workstations as well as servers, infrastructure and telecommunications systems. We were also awarded a seven-year contract, partnering Helpbycom, for the management of the German Federal Labour Office's IT user helpdesk, which serves 120,000 users.

At the start of 2005, we changed the organisational structure of Computacenter Germany, although the full benefits of this are yet to be realised. The re-organisation has four main objectives. It will improve our focus on the medium-sized business market, where we believe there are significant opportunities for growth; it will improve our ability to sell a broader range of products and services into existing customers; it will sharpen our focus on the growth industry sectors of Government and Financial Services; and finally, it will improve and leverage relationships with our key vendor partners.

In addition to these initiatives, which aim at generating revenue growth, we are determined to lower the cost base of the business. To that end, a programme is already underway to further reduce indirect expenses.

Although we anticipate a stronger H2, partly due to the effect of Government year-end purchasing, the full impact of our improvement plan is unlikely to be evident until 2006.

France

Our French business traded poorly, with revenues declining 14.2% to £126.2 million (2004: £147.1 million) and operating losses increasing to £7.9 million (2004: £2.0 million).

The adverse effects of falling hardware prices in the Technology Sourcing business were exacerbated by low services resource utilisation and a cost base that is still too high. In addition, our largest French account, Le Ministère de la Défense, suspended expenditure for a period whilst the contract renewal was put out to competitive tender, which had a material impact on our overall H1 revenues. The contract was subsequently renewed with Computacenter for a further four years.

Significant new business included a €7 million Infrastructure Integration project for Agence Centrale des Organismes de Sécurité Sociale, and Technology Sourcing contracts for France Telecom and Union des Groupements d'Achats Publics, worth €6 million and €5 million respectively.

However the performance of Computacenter France continues to be unsatisfactory and the appointment of Chris Webb, formerly responsible for UK sales

> In Germany, we saw strong Professional Services growth, fuelled by customer interest in IT security, combined voice/data telephony and mobile technology solutions.

and services delivery, as Managing Director of Computacenter France has added impetus to the major transformation project that is underway.

A substantial cost savings programme has been implemented, focusing on Professional Services, which has a high headcount and a weak revenue and utilisation pipeline. As a result, 56 Professional Services staff entered the formal redundancy process in H1 2005. It is anticipated that this, together with other measures, will yield significant savings in 2006.

To encourage revenue growth, a restructuring of the sales organisation, with the objective of ensuring greater responsiveness and accountability, was undertaken during the period. A new pay plan has been introduced to provide more effective incentives, and we have invested in the recruitment of new business specialists to help identify and close new opportunities.

In addition, the re-engineering of our maintenance operation, which began in 2004, has started to give us a strong and growing pipeline of new maintenance contracts for H2.

Customer satisfaction is also improving, as evidenced by a 15% improvement in performance against Service Level Agreements since January 2005.

Though the full benefits will take some time to be realised, we believe the initiatives now underway provide a sound foundation for Computacenter's eventual return to profit in France. Our aim is to reduce loss in 2006 and break even in 2007.

Belgium and Luxembourg

Our small 'BeLux' operation also suffered from a slowdown in capital spending, with operating profits declining to a loss of £105,000 (2004: £68,000 profit) on revenues that were 14.5% lower than in H1 2004.

Product revenues improved somewhat in the second quarter, based on a new international procurement contract with Recticel and a technology refresh project for Astron. The services business grew profitably on the back of existing Managed Services contracts and new migration projects for companies such as Banksys and Nomura.

Mike Norris
Chief Executive

> To encourage revenue growth, a restructuring of the French sales organisation, with the objective of ensuring greater responsiveness and accountability, was undertaken. Our aim is to reduce loss in 2006 and break even in 2007.

Independent review report to Computacenter plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2005 which comprises Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, and the related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with those IFRSs adopted for use by the European Union. The accounting policies are consistent with those that the Directors intend to use in the next financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Ernst & Young LLP
Luton
12 September 2005

Consolidated income statement

For the six months ended 30 June 2005

	Unaudited six months ended 30 June 2005 £'000	Restated unaudited six months ended 30 June 2004 £'000	Restated year ended 31 Dec 2004 £'000
Continuing operations			
Revenue	**1,151,553**	1,228,941	2,410,590
Cost of sales	**(1,009,276)**	(1,060,821)	(2,080,392)
Gross profit	**142,277**	168,120	330,198
Distribution costs	**(10,290)**	(9,868)	(20,626)
Administrative expenses	**(126,565)**	(128,393)	(243,394)
Operating profit from continuing operations	**5,422**	29,859	66,178
Finance costs	**(1,275)**	(1,722)	(3,537)
Finance income	**3,956**	1,995	5,247
Share of loss of joint venture	**–**	(205)	(226)
Share of profit of associate	**118**	135	266
Profit before tax	**8,221**	30,062	67,928
Income tax expense	**(6,078)**	(9,801)	(19,639)
Profit for the year from continuing operations	**2,143**	20,261	48,289
Discontinued operation			
Loss for the period from discontinued operation	**–**	(304)	(3,923)
Profit for the period	**2,143**	19,957	44,366
Attributable to:			
Equity holders of the parent	**2,184**	19,987	44,435
Minority interests	**(41)**	(30)	(69)
	2,143	19,957	44,366
Earnings per share			
– basic for profit for the year	**1.2p**	10.7p	23.8p
– diluted for profit for the year	**1.2p**	10.5p	23.5p

Consolidated balance sheet

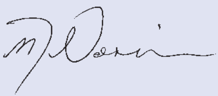
At 30 June 2005

	Unaudited six months ended 30 June 2005 £'000	Restated unaudited six months ended 30 June 2004 £'000	Restated year ended 31 Dec 2004 £'000
Assets			
Non-current assets			
Property, plant and equipment	**86,243**	92,455	89,914
Intangible assets	**9,576**	6,864	7,923
Investment in a joint venture accounted for using the equity method	**–**	20	–
Investment in an associate accounted for using the equity method	**173**	649	373
Listed investment	**–**	3,047	–
Deferred income tax asset	**1,548**	3,107	1,486
	97,540	106,142	99,696
Current assets			
Inventories	**88,205**	119,910	118,914
Trade and other receivables: gross	**388,269**	416,604	438,452
Less: non returnable proceeds	**–**	(55,643)	(39,043)
Trade and other receivables	**388,269**	360,961	399,409
Prepayments	**59,751**	60,048	55,135
Cash and short-term deposits	**144,832**	99,327	138,218
	681,057	640,246	711,676
Non-current assets classified as held for sale	**–**	9,184	9,208
Total assets	**778,597**	755,572	820,580
Equity and liabilities			
Equity attributable to equity holders of the parent			
Issued capital	**9,504**	9,447	9,489
Share premium	**74,628**	71,778	73,920
Capital redemption reserve	**100**	100	100
Investment in own shares	**(2,503)**	(2,503)	(2,503)
Other reserves	**(2,517)**	(1,860)	(904)
Retained earnings	**236,818**	224,672	245,113
Amounts recognised directly in equity relating to non-current assets held for sale	**–**	(85)	(7)
	316,030	301,549	325,208
Minority interest	**5**	83	46
Total equity	**316,035**	301,632	325,254
Non-current liabilities			
Interest-bearing loans and borrowings	**664**	326	429
Provisions	**14,722**	14,628	15,233
Other non-current liabilities	**2,716**	3,221	2,691
Deferred income tax liabilities	**1,455**	1,667	1,455
	19,557	19,842	19,808

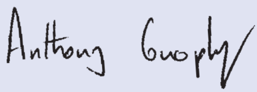
Consolidated balance sheet continued
At 30 June 2005

	Unaudited six months ended 30 June 2005 £'000	Restated unaudited six months ended 30 June 2004 £'000	Restated year ended 31 Dec 2004 £'0000
Current liabilities			
Trade and other payables	**299,577**	298,188	306,964
Deferred income	**78,505**	79,834	89,083
Interest-bearing loans and borrowings	**57,867**	38,279	58,706
Forward currency contracts	**351**	–	–
Income tax payable	**5,005**	8,788	11,519
Provisions	**1,700**	1,667	2,358
	443,005	426,756	468,630
Liabilities directly associated with non-current assets classified as held for sale	**–**	7,342	6,888
Total liabilities	**462,562**	453,940	495,325
Total equity and liabilities	**778,597**	755,572	820,580

Approved by the Board on 12 September 2005



MJ Norris
Chief Executive



FA Conophy
Finance Director

Consolidated statement of changes in equity

	Attributable to equity holders of the parent								
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Investment in own shares £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
At 1 January 2004	9,441	71,486	100	(2,503)	–	213,423	291,947	113	292,060
Currency translation differences	–	–	–	–	(1,860)	–	(1,860)	–	(1,860)
Amounts relating to non-current assets held for sale	–	–	–	–	(85)	–	(85)	–	(85)
Cost of share based payments	–	–	–	–	–	498	498	–	498
Net income/(expenses) recognised directly in equity	–	–	–	–	(1,945)	498	(1,447)	–	(1,447)
Profit for the period	–	–	–	–	–	19,987	19,987	(30)	19,957
Exercise of options	6	292	–	–	–	–	298	–	298
Equity dividends	–	–	–	–	–	(9,236)	(9,236)	–	(9,236)
At 30 June 2004	9,447	71,778	100	(2,503)	(1,945)	224,672	301,549	83	301,632
Currency translation differences	–	–	–	–	956	–	956	–	956
Amounts relating to non-current assets held for sale	–	–	–	–	78	–	78	–	78
Cost of share based payments	–	–	–	–	–	309	309	–	309
Net income/(expenses) recognised directly in equity	–	–	–	–	1,034	309	1,343	–	1,343
Profit for the period	–	–	–	–	–	24,448	24,448	(37)	24,411
Exercise of options	42	2,142	–	–	–	–	2,184	–	2,184
Equity dividends	–	–	–	–	–	(4,316)	(4,316)	–	(4,316)
At 31 December 2004	9,489	73,920	100	(2,503)	(911)	245,113	325,208	46	325,254
Adoption of IAS 32 & IAS 39	–	–	–	–	–	(148)	(148)	–	(148)
At 1 January 2005	9,489	73,920	100	(2,503)	(911)	244,965	325,060	46	325,106
Currency translation differences	–	–	–	–	(1,606)	–	(1,606)	–	(1,606)
Net income/(expenses) recognised directly in equity	–	–	–	–	(1,606)	–	(1,606)	–	(1,606)
Profit for the period	–	–	–	–	–	2,184	2,184	(41)	2,143
Exercise of options	15	708	–	–	–	–	723	–	723
Cost of share based payments						(596)	(596)	–	(596)
Equity dividends	–	–	–	–	–	(9,735)	(9,735)	–	(9,735)
At 30 June 2005	9,504	74,628	100	(2,503)	(2,517)	236,818	316,030	5	316,035

Consolidated cash flow statement

For the six months ended 30 June 2005

	Unaudited six months ended 30 June 2005 £'000	Restated unaudited six months ended 30 June 2004 £'000	Restated year ended 31 Dec 2004 £'000
Cash flows from operating activities			
Operating profit from continuing operations	**5,422**	29,859	66,178
Operating loss of discontinued operation	**–**	(282)	(1,547)
Depreciation	**8,032**	8,818	17,017
Amortisation	**885**	670	1,365
Share based payment	**(637)**	498	898
Profit/loss on disposal of property, plant and equipment	**(155)**	502	756
Loss on disposal of intangibles	**–**	2	48
Profit on disposal of investment	**–**	–	(1,603)
Dividend received from associate	**303**	–	509
Decrease/(increase) in trade and other receivables	**29,832**	4,313	(23,156)
Decrease in inventories	**27,770**	10,173	14,278
Decrease in trade and other payables	**(5,423)**	(23,346)	(14,604)
Currency and other adjustments	**609**	322	181
Borrowing costs	**(1,071)**	(1,945)	(3,439)
Interest received	**4,721**	1,517	4,359
Income tax paid	**(12,591)**	(6,365)	(12,296)
Net cash flows from operating activities	**57,697**	24,736	48,944
Cash flows from investing activities			
Proceeds from sale of subsidiary net of cash disposed of	**(252)**	–	–
Proceeds from sale of property, plant and equipment	**89**	1,250	1,756
Purchases of property, plant and equipment	**(5,284)**	(5,649)	(11,615)
Proceeds from sale of intangibles	**–**	–	211
Purchases of intangible assets	**(1,403)**	(723)	(2,593)
Dividend received	**–**	–	23
Proceeds from sale of listed investment	**–**	–	4,650
Net cash flows used in investing activities	**(6,850)**	(5,122)	(7,568)
Cash flows from financing activities			
Proceeds from issue of shares	**722**	298	2,482
Repayment of finance leases	**(250)**	–	(39)
Dividends paid to equity holders of the parent	**(9,735)**	(9,305)	(13,587)
Net cash flows used in financing activities	**(9,263)**	(9,007)	(11,144)
Net increase in cash and cash equivalents	**41,584**	10,607	30,232
Net foreign exchange difference	**4,235**	1,896	(149)
Cash and cash equivalents at beginning of period	**80,545**	50,462	50,462
Adoption of IAS 32 & IAS 39	**(39,043)**	–	–
Cash and cash equivalents at end of period	**87,321**	62,965	80,545

1 Accounting policies

Basis of preparation

Computacenter plc is required to report its consolidated financial statements under International Financial Reporting Standards (IFRS), as adopted by the European Union, for all accounting periods beginning on or after 1 January 2005. Previously the Group has applied UK Generally Accepted Accounting Principals (UK GAAP).

The results for the six months ended 30 June 2005 represent the first interim financial statements that the Group has prepared in accordance with its accounting policies under IFRS. The first annual report under IFRS will be for the year ended 31 December 2005. A description of how the Group's reported performance and financial position are affected by this change, including reconciliations from UK GAAP to IFRS for prior years and the revised summary of significant accounting policies under IFRS, is available on the Investors Section of the corporate website at www.computacenter.com.

The unaudited interim financial information has been prepared for the first time in accordance with IFRS and is covered by IFRS 1 'First-time adoption of IFRS'. The information has been prepared in accordance with those IFRS' issued and effective as at the time of preparation, and has been applied retrospectively except where certain exceptions apply.

As listed companies are adopting IFRS for the first time, there is limited established practice upon which to draw in matters of interpretation and application. Furthermore, it is possible that new standards, revisions to existing standards and new interpretations may be issued which affect the Group. Consequently it is possible that the comparative information in the 2005 annual report may differ from that presented in this document.

Change in accounting policy

From 1 January 2005 the Group has adopted the financial instruments standards IAS 32 and IAS 39. The only material changes on adoption of these standards has been on accounting for foreign currency forward contracts and non-recourse debt financing.

Foreign currency forward contracts

The fair values of both the hedging instruments and the hedged item are recognised in the income statement at each measurement date.

Non-recourse debt financing

Under UK GAAP, the Group adopted a linked presentation for its non-recourse debt financing. This presentation method is not permissible under IFRS and accordingly the finance element has been reclassified as borrowings for 2005.

As permitted under IFRS 1, First-time adoption of International Financial Reporting Standards, the Group has elected not to restate comparative information for the financial instruments standards IAS 32 and IAS 39. A restatement of the opening balance sheet at 1 January 2005 to present the Group's opening position under IAS 32 and 39 is included in these interim financial statements as Appendix A.

2 Segment information

The Group's primary reporting format is geographical segments and its secondary format is business segments. The Group's geographical segments are determined by the location of the Group's assets and operations. The Group's business in each geography is managed separately and held in separate statutory entities.

2 Segment information continued

Segmental performance for the period to 30 June 2005 was as follows:

Segmental analysis

	Unaudited six months ended 30 June 2005 £'000	Restated unaudited six months ended 30 June 2004 £'000	Restated year ended 31 Dec 2004 £'000
Revenue by geographic market			
Continuing operations:			
UK	**715,517**	758,425	1,433,685
Germany	**299,983**	311,937	655,501
France	**126,206**	147,065	300,380
Belgium & Luxembourg	**9,847**	11,514	21,024
Continuing operations	**1,151,553**	1,228,941	2,410,590
Discontinued operation	**–**	25,977	45,162
Total	**1,151,553**	1,254,918	2,455,752
Gross profit by geographic market			
UK	**88,130**	107,904	205,657
Germany	**40,720**	42,440	90,479
France	**12,383**	16,583	31,771
Belgium & Luxembourg	**1,044**	1,193	2,291
Continuing operations	**142,277**	168,120	330,198
Discontinued operation	**–**	3,115	5,203
Total	**142,277**	171,235	335,401
Operating profit/(loss) by geographic market			
UK	**14,904**	29,259	63,845
Germany	**(1,457)**	2,537	8,999
France	**(7,920)**	(2,005)	(6,682)
Belgium & Luxembourg	**(105)**	68	16
Continuing operations	**5,422**	29,859	66,178
Discontinued operation	**–**	(282)	(3,903)
Total	**5,422**	29,577	62,275
Revenue by business segment			
Technology sourcing	**893,753**	998,841	1,931,569
Infrastructure integration	**52,820**	58,688	115,502
Managed services	**204,980**	197,389	408,681
Continuing operations	**1,151,553**	1,254,918	2,455,752
Discontinued operation	**–**	(25,977)	(45,162)
Total revenue from continuing operations	**1,151,553**	1,228,941	2,410,590

Notes to the accounts

continued

3 Income tax

The charge based on the profit for the period comprises:

	Unaudited six months ended 30 June 2005 £'000	Restated unaudited six months ended 30 June 2004 £'000	Restated year ended 31 Dec 2004 £'000
UK Corporation tax			
– Current	**5,793**	10,384	21,652
– Prior	**196**	(868)	(3,249)
– Deferred tax	**(37)**	346	1,717
Foreign tax	**2**	–	(544)
	5,954	9,862	19,576
Share of joint venture's tax	**124**	(61)	63
	6,078	9,801	19,639

4 Dividends

The proposed final dividend for 2004 of 5.2p per ordinary share was approved at the Annual General Meeting in April 2005 and was paid on 31 May 2005. An interim dividend in respect of 2005 of 2.5p per ordinary share, amounting to a total dividend of £4,680,000, was declared by the Directors at their meeting on 12 September 2005. This interim report does not reflect this dividend payable.

5 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period adjusted for the effect of dilutive share options.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	Unaudited six months ended 30 June 2005 £'000	Unaudited six months ended 30 June 2004 £'000	Audited year ended 31 Dec 2004 £'000
Profit attributable to equity holders of the parent	**2,184**	19,987	44,435

	No. 000's	No. 000's	No. 000's
Weighted average number of ordinary shares for basic earnings per share	**187,147**	186,032	186,441
Effect of dilution:			
Share options	**1,010**	3,730	2,538
Adjusted weighted average number of ordinary shares for diluted earnings per share	**188,157**	189,762	188,979

6 Investments

Disposal of subsidiary

On 2 January 2005 the Group disposed of its Austrian subsidiary, Computacenter GmbH (Computacenter Austria), a company that was a separate geographic segment of the Group.

As at 30 June and 31 December 2004, Computacenter Austria was classified as an asset held for sale, and was stated at the lower of carrying value and fair value less costs to sell, and income and expenses for the year ended 31 December 2004 were included within the income statement.

7 Cash and cash equivalents

	Unaudited six months ended 30 June 2005 £'000	Restated unaudited six months ended 30 June 2004 £'000	Restated year ended 31 Dec 2004 £'000
Cash and cash equivalents as at the end of the period comprise:			
Cash at bank and in hand	**142,832**	54,327	98,218
Short term deposits	**2,000**	45,000	40,000
Bank overdrafts	**(40,708)**	(38,068)	(58,637)
Non-recourse financing	**(16,803)**	–	–
	87,321	61,259	79,581
Cash at bank and in hand attributable to discontinued operation	**–**	1,706	964
	87,321	62,965	80,545

Had IAS 32 and 39 been applied to the 2004 comparatives, cash and cash equivalents would have been reduced for non-recourse financing by £55,643,000 as at June 2004, and £39,043,000 as at December 2004. Further details on the adoption of IAS 32 and 39 are provided within Note 1 and Appendix A.

8 Post balance sheet event

Further to the German and Austrian acquisition update contained in note 14 of the 2004 Annual Report and Accounts and the press release dated 19 May 2005 on the outcome of the work of the independent Expert, PricewaterhouseCoopers, Computacenter plc is pleased to announce the resolution of the tax assets claim noted as a contingent liability in the Accounts of Computacenter plc.

On 15 October 2003 the vendors claimed that the Group had breached a provision of the German Purchase Agreement concerning an adjustment relating to tax assets, and issued a claim for €52,165,292 (£36,892,800) plus interest, for upfront payment of the tax assets as opposed to payment as the assets are utilised. Computacenter is pleased to announce that following a recent arbitration hearing, Computacenter has reached an agreement with the vendors under which the vendors claim has been withdrawn and Computacenter will purchase the tax assets outright. Although the arbitral tribunal did not render a final decision on the merits of the tax claim, it proposed a settlement which did not allocate value to this claim.

The Net Asset Value claim of £32,448,000 as noted in the 19 May 2005 press release is included as a receivable in debtors at 31 December 2004, the net result of this agreement is that Computacenter has received €40,000,00. The upfront purchase of the tax assets will result in a deferred tax asset on the Group balance sheet.

Notes to the accounts

continued

9 Publication of non-statutory accounts

The financial information contained in the interim statement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The auditors have issued an unqualified opinion on the Group's statutory financial statements under UK GAAP for the year ended 31 December 2004. Those accounts have been delivered to the Registrar of Companies.

Appendix A: restatement of balance sheet and equity at 1 January 2005 for the effects of IAS 32 and IAS 39

Under IFRS 1, First-time adoption of international financial reporting standards, the Group is not required to present comparative information which complies with IAS 32 and IAS 39. The Group's hedging strategy is unchanged in respect of covering the risk of foreign currency purchases. The accounting differences for which the 2005 opening balance sheet is restated and which will apply to the 2005 accounts are noted below:

Balance sheet at 1 January 2005

	IFRS pre restatement for IAS 32 & IAS 39 £'000	Hedging of forward currency contracts £'000	Non-recourse financing £'000	Restated IFRS £'000
Assets				
Non-current assets				
Property, plant and equipment	89,914	–	–	89,914
Intangible assets	7,923	–	–	7,923
Investment in an associate accounted for using the equity method	373	–	–	373
Deferred income tax asset	1,486	–	–	1,486
	99,696	–	–	99,696
Current assets				
Inventories	118,914	–	–	118,914
Trade and other receivables: gross	438,452	1,736	–	440,188
Less: non-returnable proceeds	(39,043)	–	39,043	–
	399,409	1,736	39,043	440,188
Prepayments	55,135	–	–	55,135
Cash and short-term deposits	138,218	–	–	138,218
	711,676	1,736	39,043	752,455
Non-current assets classified as held for sale	9,208	–	–	9,208
Total assets	820,580	1,736	39,043	861,359

Appendix A continued

	IFRS pre restatement for IAS 32 & IAS 39 £'000	Hedging of forward currency contracts £'000	Non-recourse financing £'000	Restated IFRS £'000
Equity and liabilities				
Equity attributable to equity holders of the parent				
Issued capital	9,489	–	–	9,489
Share premium	73,920	–	–	73,920
Capital redemption reserve	100	–	–	100
Investment in own shares	(2,503)	–	–	(2,503)
Other reserves	(904)	–	–	(904)
Amounts recognised directly in equity relating to non-current assets held for sale	(7)	–	–	(7)
Retained earnings	245,113	(148)	–	244,965
	325,208	(148)	–	325,060
Minority interest	46	–	–	46
Total equity	325,254	(148)	–	325,106
Non-current liabilities				
Interest-bearing loans and borrowings	429	–	–	429
Provisions	15,233	–	–	15,233
Other non-current liabilities	2,691	–	–	2,691
Deferred income tax liabilities	1,455	(63)	–	1,392
	19,808	(63)	–	19,745
Current liabilities				
Trade and other payables	306,964	–	–	306,964
Deferred income	89,083	–	–	89,083
Interest-bearing loans and borrowings	58,706	–	39,043	97,749
Forward currency contracts	–	1,947	–	1,947
Income tax payable	11,519	–	–	11,519
Provisions	2,358	–	–	2,358
	468,630	1,947	39,043	509,620
Liabilities directly associated with non-current assets classified as held for sale	6,888	–	–	6,888
Total liabilities	495,326	1,884	39,043	536,253
Total equity and liabilities	820,580	1,736	39,043	861,359

The Group has applied hedge accounting under IAS 39 for certain foreign currency exposures. The fair values of both the hedging instruments and the hedge item are recognised in the income statement at each measurement date.

Under UK GAAP, the Group adopted a linked presentation for its non-recourse debt financing. This presentation method is not permissible under IFRS and accordingly the finance element has been reclassified as borrowings for 2005.

Corporate information

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

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