Computacenter specialises in the provision of distributed information technology and related services to large corporate and public sector organisations. The Group has operations in the UK, France and Germany.

Computacenter markets its services as PRISM. These services address all stages of the technology life-cycle, from the Planning and Requisition of appropriate technology, through its Implementation within a company’s existing infrastructure to its subsequent Support and Management.

Computacenter aims to be the preferred partner of organisations seeking to implement and support distributed IT.
Financial highlights

In 1997 the Computacenter Group continued its unbroken record of growth in turnover and UK profit before tax.

Total Group turnover for the year increased by 28.5% from £882 million in 1996 to £1,133 million in 1997.

Operating profit for the Group rose by 31.1% from £39.9 million to £52.3 million.

Fully diluted earnings per share increased from 13.1p in 1996 to 17.4p in 1997.
Chairman’s statement

“Computacenter is a people business and a service business. The quality of our service depends entirely on the quality, teamwork and motivation of our staff.”

This Annual Report is the last for Computacenter as a private Company. On Thursday 21 May 1998 Computacenter plc was floated on the London stock exchange. The offer was over 12 times oversubscribed. The market’s enthusiasm for the issue reflected the Company’s continued success and positive growth prospects.

In the year to 31 December 1997, Group turnover was up over 28% to £1.13 billion compared to 1996 and pre-tax profits rose almost 39% to £47.1 million.

The founding shareholders and the management team have great confidence in the future of the business and have retained the vast majority of their shareholdings, selling just sufficient to enable the flotation to take place.

The timing of the offer reflects management’s desire to continue to realise its vision for the Company and hold true to the principles which have guided the Company’s success since it was founded in 1981.

We wrote in last year’s report that our objective is to build a truly great Company. We laid emphasis on our core values which are to earn the loyalty of customers, staff and shareholders by delivering outstanding long-term value. We said that it is our strategic and operational objectives, not our financial results, which drive our business. Profits are a consequence not a cause.

These remain the principles on which our success is based.

At the time of the flotation 17% of the equity was held by over 700 employees, excluding the founders. Most of these employee shareholders have been with the Company at least four years and many much longer. The flotation has enabled us to provide liquidity to these loyal staff and also to provide a practical route to continue to involve our staff in the ownership of the Company in the future.

Over the last 17 years Computacenter has established an extremely strong competitive position in a market which is expected to continue to grow. Our staff are responsible for enabling us to reach this position. Computacenter is a people business and a service business. The quality of our service depends entirely on the quality, teamwork and motivation of our staff.

This is a landmark year for Computacenter. I would like to thank all of our staff personally for their professionalism, commitment and hard work and I look forward to our continued success.

Philip Hulme, Chairman
Chief Executive’s review

“In 1997 Computacenter’s customer base included significant relationships with 51 of the UK’s FTSE 100 companies.”

Computacenter is the largest UK-owned company specialising in providing distributed information technology and related services to large corporate and public sector organisations.

Our strategic objective is to be these organisations’ preferred partner when they wish to implement and support distributed IT.

We work with our customers to help them realise the potential of the technology whilst at the same time managing their costs of ownership.

Over the years, we have invested in our centralised practice, which can be replicated in the building of economies of scale, all of which benefit both us and our customers and underpin our long-term customer relationships.

The results show in our continued growth. Group turnover has now doubled over the past two years. Our number of employees increased from 1,744 at the end of 1995 to 3,245 at the end of last year. Over the past three years, our profit before tax has increased from £12.2 million to £47.1 million and our after-tax earnings from £7.1 million to £31.1 million.

91% of our turnover came from selling directly to corporate and public sector companies. The remaining 9% came through our distribution business, CCD, which supplies hardware and a limited range of services to small and medium-sized computer resellers.

From our original base in the South of England, we now have an international network of sales and service operations with over 30 offices in the UK, France and Germany.

We were delighted last year to receive Computing magazine’s 1997 Award for Excellence in Technical Support, recognising our new Enhanced Warranty service.

The Company also won two EuroChannels Innovator Awards for Best European Customer Support Services and for European Reseller of the Year. These were won against competing entries from across Europe.

The Computing award reflected the views of end-users; the EuroChannel awards those of the industry on a range of services including Help Desk support from our CallCenter.

Computacenter was also named Dealer of the Year by publisher VNU.

We remain focused on the continual investment in, and development of, our services, infrastructure, systems and people. During 1997, a wide range of initiatives were taken to strengthen our business and build competitive advantage.

Services

Computacenter continued to enhance and develop its services and saw increased revenues from these activities in 1997.

Technical services were developed around enterprise networking and cabling infrastructures, management of systems and networks across the enterprise, SAP infrastructure installations, and Unix implementations.

New services also covered emerging technologies such as Internet/Intranet and the network computer.

A new Enhanced Warranty maintenance service extended standard manufacturer warranties by providing a cost-effective next-day on-site service for new equipment.

It also allows the price for one, two or three years’ support to be bundled into the capital purchase price.

We introduced a new call management system, ‘Lynx’, at the CallCenter, our software support facility. This enabled the centre’s 65 employees to handle 135,000 calls during the year.

Internal systems

Over 90 of the 150 people employed in our internal IT division are focused on the development and implementation of new proprietary systems.

On-Trac, our customer procurement and tracking software, now handles some 35% of our business, processing on-line an average of £1 million of orders a day and providing easy access for customers to information on stock availability, delivery and prices.

On-Trac is now installed with over 300 customers in the UK, France and Germany.

Over the year, our internal IT infrastructure enjoyed over 99.9% system availability.

Infrastructure

The bulk of our equipment is distributed from our logistics centre at Radlett, Hertfordshire.

In 1997, Radlett handled 357,000 system units - an average of almost 1,000 for each day of the year.

60% of systems are now dispatched with all software pre-configured to specific customer requirements.
“We enjoy long-term trading relationships with many of our customers. Nine of the ten largest accounts in 1994 were still significant customers in 1997.”

In addition to our core direct-to-customer business, overall investment in stock and logistics allows our reseller distribution business, CCD, to pass on significant cost and service benefits to customers.

During 1997, we opened a number of new facilities. These included an 11,400 sq. ft. training and account management centre in Bristol, a 12,000 sq. ft. centre in Reading, and some 13,000 sq. ft. of office accommodation in Birmingham. Work continues apace on our new 210,000 sq. ft. logistical and headquarters centre at Hatfield in Hertfordshire in the UK.

The main logistics building will offer considerably greater storage capacity, much higher levels of automation and will enable us to meet the rapidly growing demand for channel assembly and individually configured network systems.

Channel assembly
In 1997 Computacenter became one of the first companies in the UK to launch a full channel assembly programme with IBM.

This approach increases availability for the customer and reduces our stockholding requirements. Similar terms have now been agreed with Hewlett-Packard.

We believe that channel assembly can bring economic benefits to Computacenter, its suppliers and its customers. It also helps us achieve superior levels of customer service. Consequently, we expect to see substantial further growth in this area.

France and Germany
Computacenter France’s turnover grew 48% to FF 920 million and the company reported its first profit. France is Europe’s third largest IT market, and Computacenter is now the country’s fourth largest reseller, employing some 400 people.

In June last year, we acquired BITService, a computer services company based in Bad Homburg on the outskirts of Frankfurt. The company has since been renamed Computacenter Germany.

We have now added a new product supply operation and opened offices in Dusseldorf, Munich and Ludwigshafen.

Computacenter Germany employed 112 people at the end of 1997 and achieved a turnover of £7 million. Both France and Germany offer considerable opportunities, and we are pleased with the way the businesses are developing.

International Computer Group (ICG)
Computacenter is a co-founder of the International Computer Group – an international joint venture agreement between leading IT service companies in 42 countries.

ICG provides customers with a single interface for all national and international IT requirements. This can help reduce the cost of managing the IT functions of foreign subsidiaries and of international roll-outs.

ICG provides Computacenter with additional leverage with vendors and a significant marketing advantage.

Developments in 1997 included a closer association with WM-data AB, Scandinavia’s leading IT services company, which is now ICG’s exclusive representative in Sweden, Finland and Denmark.

Employees
The ability to attract and retain skilled staff is especially important in an industry renowned for skills shortages and staff turnover.

A key management focus is to earn and retain the loyalty of our staff.

We do this through our training, career development and benefits programmes. By continuing to build our market leadership we also make Computacenter a more attractive employer and help staff motivation.

Over a two-year period in which our staff has doubled, our retention rates have improved significantly.

Future prospects
The demand for distributed IT systems and support services continues to grow rapidly.

We believe we have the right strategy, infrastructure, services, systems and people to continue to add value on behalf of our customers.

We look forward to the future with considerable confidence.

Mike Norris, Chief Executive
PRISM describes Computacenter’s range of services. They are modular and flexible, so that customers can choose one, several or all of the services and tailor them to their needs.

Planning

Working with customers to plan and integrate their distributed IT systems.

Architecture design

We help design distributed IT infrastructures, from initial definition of the technical architecture and standards through to detailed design and testing of the chosen solution. The technology may span desktop, server and network operating systems, local and wide area networks, cabling systems, electronic mail and groupware systems and Internet/Intranet environments.

Multi-platform integration

Once a technology has been selected, it is likely to have to be integrated with other new and existing systems involving a range of different computing platforms and hardware and software from different vendors.

Project planning

Computacenter’s project managers help reduce the risk of implementing complex IT solutions. Key to their success in this area is our project management methodology, PRIDE (PRojects In a Dynamic Environment).

Specialist consultancy

We have in-depth, specialist expertise in enterprise networking and cabling infrastructures, management of systems and networks across the enterprise, SAP infrastructure implementations and Unix implementations, as well as emerging technologies such as Internet/Intranet and the network computer. Computacenter’s largest group of specialist consultants is in the field of Microsoft technologies.

Technology management

Decentralised purchasing can make it difficult for many IT managers to know exactly what equipment and software are being used in their organisations, what software is running and whether the software is legally licensed.

Computacenter helps customers maintain control through hardware and software audits and automated tools to track and manage distributed IT assets. We also offer security audits and security products and processes to protect against viruses and prevent the theft of both data and equipment.
Implementation

Configuring, installing and integrating distributed IT.

Configuration and installation

The Radlett configuration centre has been equipped with Computacenter’s Automatic Configuration Engineer (ACE) system, which enables customers’ unique software configurations to be downloaded on to the customers’ PCs at the centre. There is capacity for up to 1,200 systems to be worked on at any one time. It is also equipped to pre-configure and test complete installations (for example, networks of PCs, file servers, peripherals and software) prior to delivery at the customer’s site.

Channel assembly

Computacenter is one of the first companies in the UK to embark on a full channel assembly programme with IBM. Customers specify their exact requirements and Computacenter builds their machines to order. This approach increases availability for the customer and reduces stockholding requirements for Computacenter. A similar programme has been agreed with Hewlett Packard.

Electronics commerce

Computacenter uses an electronic procurement and tracking system, ‘On-Trac’, which enables customers to access Computacenter’s computer network from their own PCs. Customers can look up prices, obtain detailed product information, prepare their own specifications, check product availability, place orders, track their orders from initial order to delivery, check invoice status and receive a variety of management reports.

Portfolio management

Individual customers usually purchase distributed IT products which originate from a wide range of different vendors. Computacenter can manage this complexity on behalf of its customers, including portfolio selection, negotiation of prices and terms, product acquisition and invoice consolidation.

Systems engineering

Technically demanding implementations such as servers, network infrastructure and operating software, e-mail systems, groupware or server migrations require high levels of systems engineering skills. Computacenter employs over 200 trained and vendor-accredited customer engineers who are able to carry out installation and systems engineering work throughout the UK. Many of the engineers are assigned to customers’ sites on a longer-term basis.

Project management

The scale of projects has tended to increase. Computacenter is often involved in projects involving hundreds or thousands of individual PCs, sometimes to be installed over a wide geographic area, sometimes in complex environments, such as dealing rooms. Often the timescales are challenging. In 1997, Computacenter’s project managers directed 170 technical and logistical projects on behalf of customers.

Requisition

Fast and efficient provision of best of breed technology.

Product supply and delivery

Companies typically demand rapid delivery and high availability of standard products. Computacenter holds on average over £100 million worth of inventory.

We maintain some 28,000 products in our current range from over 600 different suppliers. The main categories of products sold are system units (portables, desktops and servers), printers, networking equipment, peripherals and software. High availability of product must be married with fast and accurate delivery and invoicing. For stock items that do not require configuration, customers can typically expect delivery in less than 24 hours from the time of the original order. We typically deliver over 12,000 items a day to our UK customers.
Support

Complementing our customers' internal IT support operations.

Computacenter employs over 360 staff delivering Support services including hardware maintenance, telephone support and training, an 85% increase since the end of 1995.

In early 1996, we opened our new CallCenter in Milton Keynes, which now employs over 60 technical specialists.

Hardware maintenance services
As many of Computacenter’s systems are used for business-critical applications, customers need a fast and effective hardware maintenance service.

Our standard maintenance offering is a “Next Day” service. We also offer a range of enhanced maintenance services. For example, “Enhanced Server Support” makes extensive use of remote diagnostics, rapid despatch of parts and on-site repairs by specially trained engineers, many of whom are based permanently on customers’ sites.

A significant proportion of the cost of maintenance is covered by manufacturers’ warranties. Computacenter has invested in systems to capture these credits efficiently.

IT training
Training reduces support costs and improves the return on IT investment. In 1997, Computacenter trained over 40,000 delegates in its 12 UK training centres. Bespoke courses are frequently developed for customers as part of large scale roll-out or system migration projects.

Telephone support
Computacenter’s CallCenter provides 24 hour support and last year handled over 135,000 calls. The CallCenter provides support on standard software applications and operating systems as well as customer specific applications. Sophisticated fault diagnosis and remote management tools are used to allow support specialists to update customers’ systems remotely.

Management

Delivering on-site services to over 130,000 desktop users.

Some organisations choose to outsource the whole of their IT function to a third party. In these cases, Computacenter is able to work in partnership with other out-sourcing companies, such as CSC, IBM and EDS, to provide the distributed IT element of a total out-sourcing contract.

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However, many organisations do not wish to outsource their entire IT function. They prefer to retain overall responsibility for IT management and strategy and use third party partners to “out-task” responsibility for certain support functions. Computacenter has established a range of managed services in response to this growing requirement. Our approach is very flexible, with the customer deciding the degree of out-tasking, including taking on the customer’s existing personnel, if required.

The managed services operation can turn Computacenter into an extension of a company’s IT department.

The range of available managed services includes all the elements of PRISM described above. The range of available managed services includes all the elements of PRISM described above.

Computacenter has invested in sophisticated tools and methodologies and employs a team of personnel to ensure that expertise is shared between the different managed services sites. New managed services contracts are implemented using the PRIDE project management methodology. By spreading the cost of these developments over its substantial contract base, Computacenter is frequently able to provide more cost-effective solutions than are available to the customer in-house. Computacenter’s expertise in this area helps customers both to control their IT costs and improve service levels.
Making a difference

We asked some of our customers to describe the benefits of a partnership with Computacenter.

We were asked to provide and support a desktop environment for the UK operations of this leading international insurance company. “A large number of PC equipment and software manufacturers seem to have a supermarket mentality; they will sell you the kit, and lots of it, but getting any really deep support is extremely difficult. We value the fact that Computacenter has its own dedicated product specialists who bring specific knowledge and expertise to bear on issues and often provide us with better information than the original manufacturers!”

We were asked to develop and implement an e-mail environment for B&Q’s head office and retail estate. “We got the results we wanted. It has achieved what we set out to achieve. It was delivered inside time and under budget. I am happy that Computacenter is on the case for the next phases, because not only do they help us on this project, they use their intelligence from other work they are doing for us to make sure that we all have a broad perspective.”

We were asked to implement a common operating environment to support the worldwide activities of BP Exploration. “We were not interested in the nitty gritty of day-to-day problems. From the outset we knew what we wanted delivered and left the ‘How’ to Computacenter, who took on the pivotal role of smoothing the path with IBM, whose hardware we were implementing, and making sure it was delivered on time. In the event it was not only completed inside time but inside budget as well and has given us a platform that allows us to deal with future changes in a co-ordinated fashion, while maintaining a top-quality standard environment.”

We were asked to provide a managed maintenance and support service for PCs, associated hardware and applications. “Managing a fixed network cost effectively is difficult at the best of times. When you have so many mobile units as well it can be one big headache. That’s why it is nice to have a company like Computacenter to take those problems away.”

We were asked to supply training for 320 staff at nine UK locations, in PC familiarity and Microsoft applications, to support the migration to a common operating environment. “Employees who had never before been comfortable with IT are now achieving substantial productivity gains, and those who were already comfortable have started to expand the ways they use their systems with very positive effects.”

We were asked to support the integration of three existing IT infrastructures and introduction of a distributed computing environment. “What stood out about Computacenter was that they took a long term view while helping us with short term problems. We were able to draw on their experience in areas like networking and platform design where they not only gave us tactical assistance, but produced research into long term trends.”

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Computacenter's operating committee is chaired by the Chief Executive, meets regularly and reports to the Board. The members are Mike Norris, Philip Hulme, Tony Conophy and the following members of Computacenter's senior management:

Richard Archer, General Manager, London (Aged 38)

Andy Chudzik, General Manager, South of England (Aged 40)

Mike Davies, General Manager, Technical Services (Aged 37)

Martin Hellawell, General Manager, Corporate Development and Marketing (Aged 33)

John Jollin, General Manager, Services and Operations (Aged 33)

Chris New, General Manager, Business Development (Aged 39)

Alan Pottinger, Company Secretary and Head of Human Resources (Aged 40)
Joined Computacenter in 1986.

Craig Routledge, General Manager, Managed Services (Aged 40)

From left to right: 1 Philip Hulme 2 Mike Norris 3 Tony Conophy 4 Andy Chudzik 5 Martin Hellawell 6 Richard Archer 7 Andy Stafford 8 Mike Davies 9 John Jollin 10 Chris New 11 Alan Pottinger 12 Craig Routledge

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Executive Directors

Philip Hulme, Chairman
(Aged 49)
Philip Hulme graduated from Imperial College London with a first class engineering degree. In 1971 he won a Harkness Fellowship and entered the MBA programme at Harvard Business School. On graduating he joined the Boston Consulting Group, for whom he worked in the United States, South Africa and the UK, rising to Vice President and Director in 1979. He was appointed to head the London office in 1980. In 1981 he founded Computacenter with Peter Ogden, and has worked for the Company on a full-time basis since then.

Mike Norris, Chief Executive
(Aged 36)
Mike Norris graduated with a degree in Computer Science and Mathematics from East Anglia University in 1983. He joined Computacenter in 1984 as a salesman in the City office. In 1986 he was Computacenter’s top national account manager. Following appointments as Regional Manager for London operations in 1988 and General Manager of the Systems Division in 1992 with full national sales and marketing responsibilities, he became Chief Executive in December 1994 with responsibility for all day-to-day activities and reporting channels across Computacenter.

Tony Conophy, Finance Director
(Aged 40)
Tony Conophy has been a member of the Institute of Chartered Management Accountants since 1982. He qualified with Semperit (Ireland) Ltd and then worked for five years at Cape Industries PLC group. He joined Computacenter in 1987 as Financial Controller, rising in 1991 to General Manager of Finance. In 1996 he was appointed Finance and Commercial Director of Computacenter (UK) Limited with responsibility for all financial, purchasing and vendor relations activities.

Non-Executive Directors

Peter Ogden
(Aged 50)
Peter Ogden founded Computacenter with Philip Hulme in 1981. He is Chairman of Computasoft, a director of Omnia Limited, and a non-executive director of the Abbey National and Anglo & Overseas Trust.

Adrian Beecroft
(Aged 51)
Adrian Beecroft has been Chairman of Apax Partners & Co. Ventures Limited since 1990 and has served on the boards of a number of private and public companies.

Rod Richards
(Aged 42)
Rod Richards has been a director of Foreign and Colonial Ventures since 1988, is a non-executive director of PSD Group PLC and has served on the boards of a number of private companies.

Senior Management

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Group management and directors
Computacenter provides training services through branch offices and at the following training-only locations:

4th Floor, Broad Street House
55 Old Broad Street
LONDON EC2M 1RX
Telephone 0171 620 2222
Fax 0171 261 0510

Enterprise House
Waterfront Quays
Salford Quays
MANCHESTER M5 2WX
Telephone 0161 848 8088
Fax 0161 848 9431

1 Thames Valley Park
READING, Berkshire RG6 1PT
Telephone 0118 935 6000
Fax 0118 926 1584

Trevelyan House
7 Church Road
WELWYN GARDEN CITY
Hertfordshire AL8 6NT
Telephone 01707 373707
Fax 01707 373541

For general enquiries contact
Computacenter on 0800 617000
or visit our web site at www.computacenter.com
Finance Director’s report

“The culture of the Group is one of empowerment and incentivisation.”

Turnover
The Group has an unbroken record of consistent organic growth in turnover and in UK profit before tax. During 1997 the Group achieved another year of high growth, with total Group turnover for the year increasing by 28.5% to £1,133 million compared to £882 million on a comparable annual basis in 1996. Turnover generated in the UK accounted for 91% of the Group total, with the remainder generated from France and Germany.

Operating profit
Operating profit for the Group rose by 31.1% to £52.3 million from £39.9 million on a comparable annual basis. The increase in the operating margin achieved, from 4.5% in 1996 to 9.2% of turnover in 1997. We expect this trend to continue in the future.

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Interest
Net interest charges for the year were £5.2 million compared to £5.7 million on a comparable annual basis. This represents an interest cover of 10 times (1996: 7 times on a comparable annual basis).

Taxation
The Group's effective tax rate for the year is 33.9% compared with 34.5% in 1996 on a comparable annual basis. The improvement in the rate was caused principally by the reduction in the statutory tax rate in the UK to 31% and the use of brought forward tax losses in France.

Dividends
A dividend was paid during the year of 400 people and achieved a turnover of FF 920 million during the year.

Overseas operations
During the year the Group's French business achieved particularly pleasing growth in turnover and made a positive contribution to Group profits. In the first time, Computacenter France currently employs approximately 400 people and achieved a turnover of FF 920 million during the year. This represents annual growth of 48% in French Franc terms.

In June 1997 the Group acquired 75.8% of the ordinary share capital of Bitservice GmbH, a small German company, immediately renaming it Computacenter Beteiligungen GmbH. In addition, the Group has agreed to acquire the remaining 24.2% under an earnout contract which is contingent on the level of turnover in 1999 and the cumulative earnings before interest and tax achieved between 1 January 1997 and 31 December 1999.

Cash flow
The Group has continued to generate significant cash from operations, as set out in the Group cash flow statement. Overall the working capital of the Group increased by £18.1 million, producing operational cash flows of £42.6 million. After interest, tax payments, capital expenditure, acquisitions and dividends the Group had a net cash outflow of £1.9 million. During the year £1.9 million of debt was retired.

Capital expenditure in 1997 included £9.9 million in respect of freehold land and construction costs in connection with the new assembly and configuration plant at Hatfield. The Group operates complex working capital mechanisms, including incentives to staff, to encourage prompt collection of debts and management of inventory.

Assets employed
At 31 December 1997 Group net assets employed (calculated as net assets plus long term debt) had increased to £74.0 million compared to £33.8 million at 31 December 1996. This was principally due to retained earnings for the year of £25.7 million, offset by the write-off of goodwill on the acquisition of Computacenter Germany of £2.6 million. Pre-tax return on net assets employed for the year was 82%.

Financial management
The culture of the Group is one of empowerment and incentivisation. The Group’s customer account management model, which has been refined over many years, ensures that each account manager’s goals are congruent with the overall business. A large internal IT development team, which is expensed through the profit and loss account as staff costs, creates the complex systems that measure most attributes of the Group’s, and often the individual’s, performance. The cumulative effect of these investments is a source of competitive advantage.

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Tony Conophy, Finance Director

*The comparative figures used in the Chairman’s accounts of the Group for the period 2 October 1995 to 31 December 1995 in order to provide a meaningful 12 month comparison.
Auditors’ report on the summarised accounts

We have examined the summarised accounts of Computacenter Services Group plc set out on pages 28 to 32. In our opinion the summarised accounts have been properly extracted from the Group’s statutory accounts for the year ended 31 December 1997.

Ernst & Young
Chartered Accountants
Registered Auditor
Reading
30 March 1998

Important notes

The auditors’ report on the statutory accounts for the year ended 31 December 1997 was unqualified and did not contain a statement under sections 237(2) or 237(3) of the Companies Act 1985.

The financial information contained in this section includes the audited consolidated financial statements of Computacenter Services Group plc. However, it does not contain sufficient information to convey a full understanding of the results and state of affairs of the Group. For further information the full Report and Accounts should be consulted.

Business report

The Directors present their business report and the summarised accounts of the Group for the year ended 31 December 1997.

Principal activities

The Group’s principal activities are the design, project management, implementation and support of integrated information technology (IT) systems.

Review of the business

The Group has again enjoyed a year of exceptional growth in turnover and profitability. Turnover rose by 21.7% to £1,133.5 million from £931.2 million for the 15 month period ended 31 December 1996. Operating profit rose by 29.7% to £52.3 million from £40.3 million for the 15 month period ended 31 December 1996.

UK business

Computacenter Limited has again enjoyed a year of exceptional growth in turnover and profitability. Turnover increased by 21.9% to £1,033.8 million from £848.1 million in 1996 (15 months).

The Company continued to focus on the provision of distributed IT systems and related services to the corporate and public sector marketplace. Increased sales resulted from the acquisition of new customers and also the provision of a wider range of products and services to existing customers. The Company’s growth rate was substantially ahead of the market and resulted in increased market share.

A number of trends have driven the growth in the market including continuing reductions in hardware costs, which help customers to cost justify additional investments in IT, and the growing availability of enterprise software applications for client server technology.

Computacenter’s extensive range of services, marketed as “PRISM” (Procurement, Requisition, Implementation, Support and Management), together with its continued investment in people, processes and systems, ensured that it was ideally placed to take advantage of these trends.

The increase in profitability was largely in line with the increase in sales. The growth of the Company’s service business made a major contribution to profitability.

Over the year, the Company created over 850 new jobs, mostly in its service divisions.

Overseas operations

The Group’s French business achieved particularly pleasing growth in turnover and moved into profit after interest. The Group expanded its European operations, acquiring Frankfurt based BitService, a German
**Results and dividends**

The Group’s activities resulted in a profit before tax of £47,099,000 (1996 15 months: £34,012,000). The Group profit for the year available to shareholders amounted to £31,087,000 (1996 15 months: £22,466,000). The Directors have paid a dividend during the year of £4,983,000 (1996 15 months: nil).

**Directors**

The Directors who served during the year ended 31 December 1997 and those appointed subsequent to the year end are listed on page 24.

**Employee share schemes**

The Group operates executive share option schemes for the benefit of employees. As at 31 December 1997, options under the schemes to purchase shares of the Company have been granted to certain employees in respect of 25,021,824 (1996: 24,547,388) ordinary shares of 5p each. 1,298,064 ordinary share options were exercised during the year.

**Equal opportunities**

The Group is committed to involve all employees in the performance and development of the Group. Employees are encouraged to discuss with management matters of interest to employees and subjects affecting day-to-day operations of the Group.

**Charitable donations**

The Group has made charitable donations during the year amounting to £98,809 (1996 15 months: £17,638).

**Statement of directors’ responsibilities in respect of the accounts**

As noted on page 24, the summarised accounts presented on pages 28 to 32 have been extracted from the full statutory accounts of the Company and do not give all of the information contained in those accounts.

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that the full statutory accounts comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By order of the board

A J Pottinger, Secretary
30 March 1998
## Group profit and loss account

For the year ended 31 December 1997

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>1,133,523</td>
<td>931,209</td>
</tr>
<tr>
<td><strong>Operating costs</strong></td>
<td>(1,081,041)</td>
<td>(891,105)</td>
</tr>
<tr>
<td><em>(Loss)/profit from interests in associated undertakings</em></td>
<td>(176)</td>
<td>222</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>52,306</td>
<td>40,326</td>
</tr>
<tr>
<td>Other income</td>
<td>1,429</td>
<td>1,554</td>
</tr>
<tr>
<td><strong>Interest payable and similar charges</strong></td>
<td>(6,636)</td>
<td>(7,868)</td>
</tr>
<tr>
<td><strong>Profit on ordinary activities before taxation</strong></td>
<td>47,099</td>
<td>34,012</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td>(15,990)</td>
<td>(11,599)</td>
</tr>
<tr>
<td><strong>Profit on ordinary activities after taxation</strong></td>
<td>31,109</td>
<td>22,413</td>
</tr>
<tr>
<td>Minority interests – equity</td>
<td>(22)</td>
<td>53</td>
</tr>
<tr>
<td><strong>Profit attributable to members of the parent company</strong></td>
<td>31,087</td>
<td>22,466</td>
</tr>
<tr>
<td>Dividends – ordinary dividends on equity shares</td>
<td>(4,983)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Retained profit for the year</strong></td>
<td>26,104</td>
<td>22,466</td>
</tr>
</tbody>
</table>

## Group statement of total recognised gains and losses

For the year ended 31 December 1997

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td><strong>Profit attributable to members of the parent company for the financial year</strong></td>
<td>31,087</td>
<td>22,466</td>
</tr>
<tr>
<td><strong>Exchange difference on retranslation of net assets of associated and subsidiary undertakings</strong></td>
<td>(339)</td>
<td>264</td>
</tr>
<tr>
<td><strong>Total recognised gains relating to the year</strong></td>
<td>30,748</td>
<td>22,730</td>
</tr>
</tbody>
</table>
### Company balance sheet

At 31 December 1997

<table>
<thead>
<tr>
<th></th>
<th>1997 £’000</th>
<th>1996 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>9,858</td>
<td>–</td>
</tr>
<tr>
<td>Investments</td>
<td>123,260</td>
<td>116,428</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>133,118</td>
<td>116,428</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>185</td>
<td>–</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>248</td>
<td>19</td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td>(21,103)</td>
<td>(4,664)</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td>112,015</td>
<td>111,764</td>
</tr>
<tr>
<td><strong>Creditors: amounts falling due after more than one year</strong></td>
<td>(47,446)</td>
<td>(48,732)</td>
</tr>
<tr>
<td><strong>Total assets less liabilities</strong></td>
<td>64,569</td>
<td>63,032</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>7,876</td>
<td>7,811</td>
</tr>
<tr>
<td>Share premium account</td>
<td>537</td>
<td>385</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>22,865</td>
<td>256</td>
</tr>
<tr>
<td>Shareholders’ funds – equity</td>
<td>31,278</td>
<td>7,940</td>
</tr>
<tr>
<td>Minority interests – equity</td>
<td>65</td>
<td>48</td>
</tr>
<tr>
<td><strong>Shareholders’ funds – equity</strong></td>
<td>31,343</td>
<td>7,988</td>
</tr>
</tbody>
</table>

Approved by the board on 30 March 1998

P W Hulme, Chairman
P J Ogden, Director

---

### Group balance sheet

At 31 December 1997

<table>
<thead>
<tr>
<th></th>
<th>1997 £’000</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>30,589</td>
<td>18,019</td>
</tr>
<tr>
<td>Investments</td>
<td>3,009</td>
<td>3,326</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,598</td>
<td>21,345</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>108,245</td>
<td>83,316</td>
</tr>
<tr>
<td>Debtors: gross</td>
<td>186,270</td>
<td>161,269</td>
</tr>
<tr>
<td>Less non returnable proceeds</td>
<td>(20,549)</td>
<td>(15,070)</td>
</tr>
<tr>
<td><strong>Cash at bank and in hand</strong></td>
<td>165,721</td>
<td>146,199</td>
</tr>
<tr>
<td><strong>Net current liabilities</strong></td>
<td>41,193</td>
<td>33,837</td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td>74,791</td>
<td>55,182</td>
</tr>
<tr>
<td><strong>Creditors: amounts falling due after more than one year</strong></td>
<td>(43,448)</td>
<td>(46,995)</td>
</tr>
<tr>
<td><strong>Total assets less liabilities</strong></td>
<td>31,343</td>
<td>7,988</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
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</tr>
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<td>256</td>
</tr>
<tr>
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<td>31,278</td>
<td>7,940</td>
</tr>
<tr>
<td>Minority interests – equity</td>
<td>65</td>
<td>48</td>
</tr>
<tr>
<td><strong>Shareholders’ funds – equity</strong></td>
<td>31,343</td>
<td>7,988</td>
</tr>
</tbody>
</table>

Approved by the board on 30 March 1998

P W Hulme, Chairman
P J Ogden, Director
### Group statement of cash flows
For the year ended 31 December 1997

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td><strong>Cash inflow from operating activities</strong></td>
<td>42,625</td>
<td>46,294</td>
</tr>
<tr>
<td><strong>Returns on investments and servicing of finance</strong></td>
<td>(4,748)</td>
<td>(6,160)</td>
</tr>
<tr>
<td><strong>Taxation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporation tax paid</td>
<td>(11,294)</td>
<td>(5,682)</td>
</tr>
<tr>
<td><strong>Capital expenditure and financial investment</strong></td>
<td>(20,787)</td>
<td>(10,646)</td>
</tr>
<tr>
<td><strong>Acquisitions and disposals</strong></td>
<td>(2,756)</td>
<td>(46,672)</td>
</tr>
<tr>
<td><strong>Equity dividends paid</strong></td>
<td>(4,983)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Cash outflow before financing</strong></td>
<td>(1,943)</td>
<td>(22,866)</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of shares</td>
<td>217</td>
<td>474</td>
</tr>
<tr>
<td>(Decrease)/increase in debt</td>
<td>(2,312)</td>
<td>40,259</td>
</tr>
<tr>
<td><strong>(Decrease)/increase in cash in the year</strong></td>
<td>(4,038)</td>
<td>17,867</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt at 2 October 1995</strong></td>
<td>–</td>
</tr>
<tr>
<td>Increase in cash in the period</td>
<td>17,867</td>
</tr>
<tr>
<td>Cash inflow from increase in debt and lease financing</td>
<td>(40,259)</td>
</tr>
<tr>
<td>Change in net debt resulting from cash flows</td>
<td>(22,302)</td>
</tr>
<tr>
<td>Loans and finance leases acquired with subsidiary</td>
<td>(8,313)</td>
</tr>
<tr>
<td>Non-cash changes in debt</td>
<td>(44)</td>
</tr>
<tr>
<td><strong>Net debt at 31 December 1996</strong></td>
<td>(30,749)</td>
</tr>
<tr>
<td>Decrease in cash in the year</td>
<td>(4,038)</td>
</tr>
<tr>
<td>Cash outflow from repayment of debt and lease finance</td>
<td>2,312</td>
</tr>
<tr>
<td>Non-cash changes in debt</td>
<td>(214)</td>
</tr>
<tr>
<td><strong>Net debt at 31 December 1997</strong></td>
<td>(32,689)</td>
</tr>
</tbody>
</table>

**Note:** Company or product names mentioned herein may be trademarks of other companies.