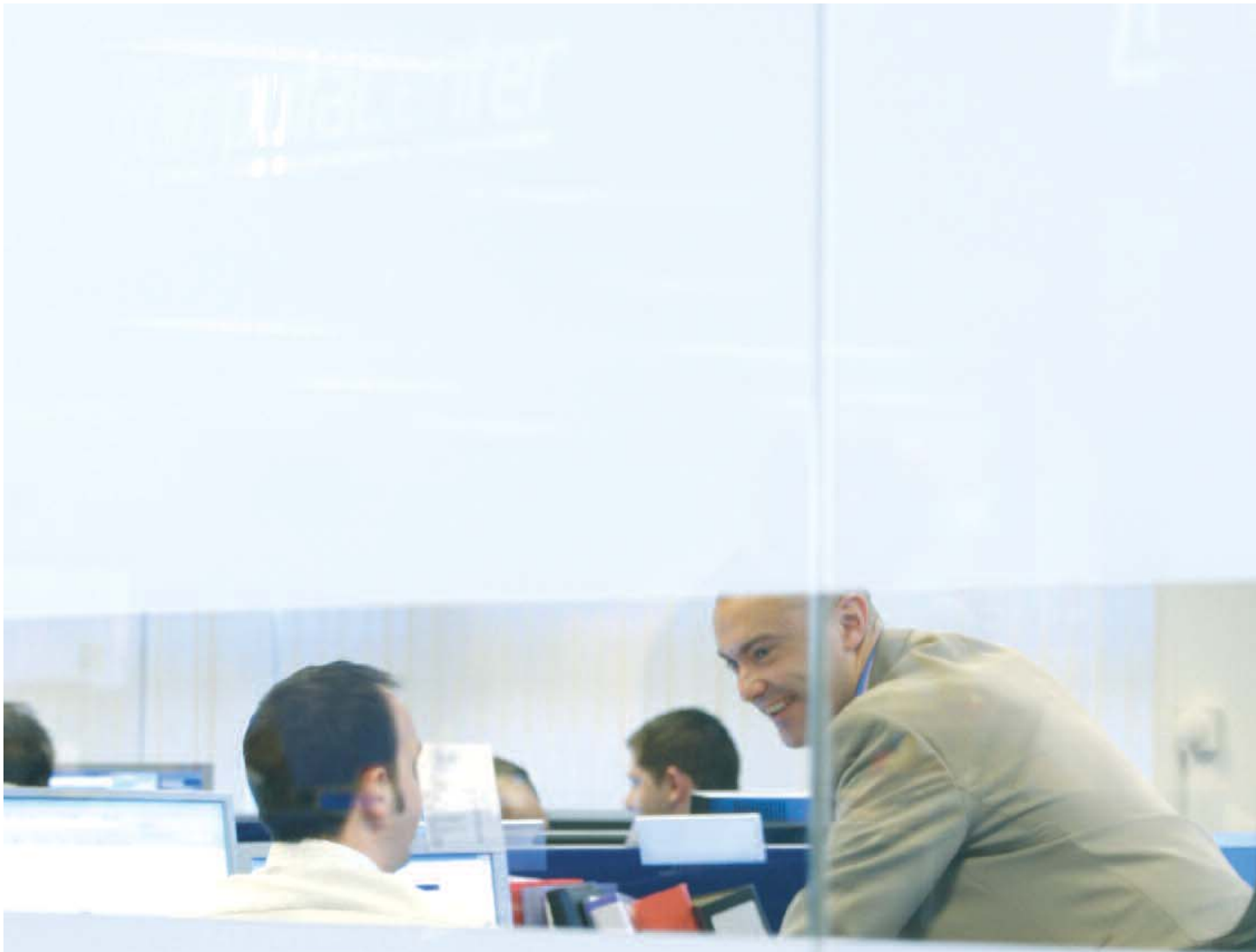




Computacenter plc
Annual Report & Accounts 2005



Computacenter supports 750,000 end-users across the UK through central facilities such as our UK Service Support Centre (pictured) and our International Support Center (ISC) in Barcelona. Over 400 people, more than 10% of our UK staff, work in the SSC, which provides centralised 24x7x365 help desk support and call management services and takes more than 1.5 million inbound calls per year.



INVESTOR IN PEOPLE

Computacenter plc is
an Investor in People.

2005 was a difficult year for Computacenter, but not without its positive features. Significant steps were taken in the UK to reposition the Company in its core markets and restore long-term earnings growth. The long-running dispute in Germany with GE was brought to a satisfactory resolution. And across the Group, trading improved as the year progressed, and was particularly strong at the year-end.

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Computacenter is a leading European independent provider of IT infrastructure services. We help our customers maximise the value of their IT by advising on IT strategy, deploying appropriate technologies, and managing elements of their infrastructures on their behalf.

Our corporate and government clients are served by a network of branch offices across the UK, Germany, France and Benelux, and through our international partners at locations throughout the world.

BUSINESS ACTIVITY

INFRASTRUCTURE SERVICES

Managed Services

We take contractual responsibility for the management of our customers' IT infrastructures, to reduce their costs and improve their user service levels.

Support Services

We provide services such as installation and maintenance of desktops, datacentres and networks, user help-desk support, and disaster recovery.

Technology Solutions

We provide professional services, including integration and project management services, and expert advice across a range of platforms and technologies.

Technology Resale and Remarketing

Through our subsidiary RDC, we help customers manage their IT disposals according to computer waste legislation and maximise the return to their organisations through the resale or remarketing of their technology.

COMPUTACENTER'S EUROPEAN REGIONS

UNITED KINGDOM

Offices

Aberdeen, Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Gatwick, Hatfield, London, Manchester, Milton Keynes, Reading, Watford

Revenue: £1,351.3 million

Number of employees: 4,735

BENELUX

Offices

Brussels, Amsterdam, Luxembourg

Revenue: £19.9 million

Number of employees: 105

FRANCE

Offices

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

Revenue: £295.8 million

Number of employees: 1,002

GERMANY

Offices

Aachen, Berlin, Frankfurt, Hamburg, Hanover, Kerpen, Kiel, Leipzig, Ludwigshafen, Munich, Nuremberg, Ratingen, Saarbrücken, Stuttgart

Revenue: £618.2 million

Number of employees: 3,528

Group revenue ¹	2,285.2	2,410.6
Group operating profit ^{1,2}	27.7	66.2
Profit before tax ¹	34.0	67.9
Diluted earnings per share ¹	10.9p	25.6p
Year-end Group employee numbers ¹	9,370	9,610

¹ Continuing operations.

² Excluding results of associated undertaking.

PRODUCT SUPPLY

Hardware

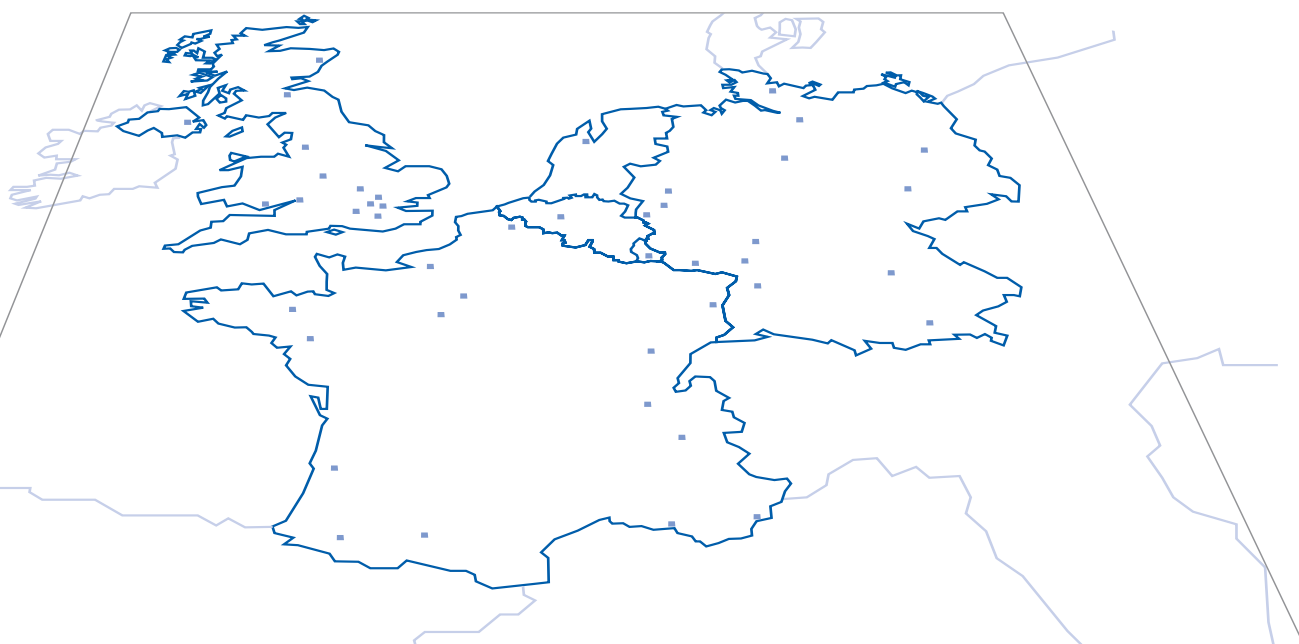
We source the most appropriate and cost-effective technology from a wide portfolio of leading vendors, and configure and deploy it according to our customers' requirements.

Software

We provide a range of software licensing services, including procurement consulting, sourcing from leading vendors and asset management services.

Trade Distribution

Through CCD, our trade distribution division, we provide smaller resellers with hardware, software and technology configuration and deployment services.





In 2005, Computacenter's revenues declined to £2.29 billion (2004: £2.41 billion) and profit before tax fell 49.9% to £34.0 million (2004: £67.9 million). Most of the profit decline is attributable to reduced vendor rebates. Some encouragement can be taken from the fact that following a particularly difficult first half, the Group's performance improved considerably as the year progressed. Profit before tax increased in the second half to £25.8 million from £8.2 million in the first half, on revenues that were broadly unchanged.

The balance sheet remained strong. Even with an increased requirement for working capital due to an upsurge in trading at the year-end, the Group ended the year with net funds of £100.4 million (2004: £41.0 million after the adoption of IAS 32 and 39). The Group's cash resources exceed its requirements and the Board has decided to return £75 million to shareholders in the second quarter of 2006, on the assumption that various tax matters can be satisfactorily resolved within this timeframe. The Board intends to return further cash to shareholders in the years ahead, subject to retaining sufficient resources in the company to take advantage of opportunities to advance the strategic repositioning of Computacenter through acquisition.

The Board is pleased to recommend a final dividend of 5.0p per share, bringing the total dividend for 2005 to 7.5p (2004: 7.5p). It is the Board's intention to maintain this dividend until earnings have risen sufficiently to bring the level of cover to within the new target range of 2-2.5x, which is now considered appropriate by the Board. The final dividend will be paid on 30 May 2006 to shareholders on the register as at 5 May 2006.

Most of the profit decline is attributable to the Group's UK business, where operating profit fell to £32.1 million, from £63.8 million in the previous year. Reduced vendor rebates accounted for £27.0 million of this fall, and product margins were under pressure throughout the year. Gross profit from the Product Division fell by £35.2 million compared to 2004. The performance of the Services Division was more encouraging; although gross profit was broadly unchanged, revenues grew modestly and the contract base increased 4.6% to £177.1 million.

Computacenter's product business faces considerable challenges, including falling prices, reducing margins and the impact of vendors selling commodity products direct to end users, particularly in the large corporate market. In response, some major steps have been taken to address Computacenter's UK strategic positioning. In my statement accompanying the Interim Results, I drew attention to these:

- > Across the Group, trading improved as the year progressed.
- > The Group's cash resources exceed its requirements and the Board has decided to return £75 million to shareholders.

- > 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.

Collectively, these strategic initiatives are intended to reposition Computacenter in its core markets and restore long-term earnings growth. Their implementation has required significant changes to our UK business model and organisational structure, and management deserves considerable credit for its handling of a complex and far-reaching reorganisation during the course of the year.

Much remains to be done to realise the benefits of the new strategy; in particular, some key IT systems necessary to support the new organisation will only be introduced through the course of 2006. Whilst it is too soon to comment on the impact of these initiatives, management is optimistic that the changes will deliver the anticipated benefits, and the stronger second-half trading in 2005 may be an early indicator of this. The challenges, however, should not be underestimated.

Difficult market conditions persisted in Germany, putting both product and service margins under pressure throughout the year. Against a 5.7% decline in revenues to £618.2 million (2004: £655.5 million), the operating profit in Computacenter Germany fell to £5.0 million (2004: £9.0 million). But, as in the UK, trading improved considerably as the year progressed; the operating profit of £6.5 million in the second half was a substantial improvement on the first-half loss of £1.5 million, and similar to the comparable period in the previous year (2004: £6.5 million). This second-half improvement is attributable to both the usual seasonal factors in the market and the German management becoming more familiar with the new organisation structure introduced at the start of the year. It also reflects some operational improvements to a particularly problematical services contract.

The long-standing problems at Computacenter France continued during 2005, with losses deepening to £9.3 million (2004: £6.7 million) on revenues of £295.8 million (2004: £300.4 million). Performance was particularly poor

in the first half of the year, when purchases from a major customer were temporarily curtailed. A new management team has been in place for over a year and Computacenter France is now being run on a much more disciplined basis; in particular, the quality of financial control in the business has been considerably enhanced. Efforts to align better the cost base of the business with its revenue potential will continue in the future.

In November 2005, it was announced that an independent committee of the Board had been formed to consider a potential offer for the Company from a group led by Peter Ogden, a major shareholder and Non Executive Director. No formal offer was made to the committee and, following the stronger trading performance in December, the approach was withdrawn. The members of this group intend to participate equally with other shareholders in the return of cash planned for later this year.

Trading activity in the first two months of 2006 has been below the comparable period in 2005. However, in recent years, our sales have become increasingly weighted towards the end of each quarter, such that trading in the early weeks of the quarter now provides a less reliable indicator of performance for the period as a whole.

There is no denying that 2005 was a difficult year for Computacenter, and that the financial performance of the Group was disappointing. But the year was not without its positive features. Significant steps were taken in the UK to create an organisation that is considerably better equipped to respond to the challenges posed by the continuing commoditisation of IT. The long-running dispute in Germany with GE was brought to a satisfactory resolution, and management is now free of this particular distraction. And across the Group, trading improved as the year progressed, and was particularly strong at the year-end.

Whilst much remains to be done to improve Computacenter's profitability, there is a sense of optimism within the company that we are getting back on the right track. My appreciation and thanks go to the employees of Computacenter for their outstanding commitment, energy and hard work.



RON SANDLER
CHAIRMAN

- > Major steps were taken to address Computacenter's UK strategic positioning. Whilst it is too soon to comment on the impact of these initiatives, management is optimistic that the changes will deliver the anticipated benefits.



UK

In the face of continuing challenges, particularly in our product business, we completed a fundamental review and realignment of our UK strategy in the first half of 2005. This, in turn, led to a major reorganisation involving the creation of separate Product and Services Divisions.

This strategic programme required considerable management time and attention during 2005. However, by the year-end, the benefits arising from these changes were already beginning to become apparent. In particular, the separation of our product and services activities has given both areas sharper focus and added new impetus to our efforts to restore top-line growth, whilst delivering operational improvements and cost reduction.

At the heart of the organisational change has been the transformation of our UK operations into seven discrete and highly empowered business units, which operate largely with a shared sales force. This new structure provides two principal benefits: a more focused and bottom-line driven management of Computacenter's core activities, and a sales force that is now freed of its previous responsibilities for the operational management of services delivery and therefore better able to concentrate on expanding the new business pipeline.

Cost control remains a priority, with overall headcount in the UK falling 3.5% from 4,754 to 4,589 over the course of the year. Of these reductions, 146 were in indirect SG&A (sales, general and administration) expense categories.

Services Division

A key focus of our services business during 2005 has been standardisation in order to reduce operational costs and improve customer service. This has allowed us to reduce the provision of dedicated on-site resources in favour of a centrally provided, shared-resource approach for the delivery of our engineering, help desk and systems management offerings.

In particular, we created a single engineering resource from over 2,000 staff previously dedicated to different functions and

- > The separation of our UK product and services activities has given both areas sharper focus and added new impetus to our efforts to restore top-line growth, whilst delivering operational improvements and cost reduction.
- > In Germany, we saw a recovery in networking and datacentre technology revenues, fuelled by server consolidation and storage projects.
- > Our largest French account resumed expenditure in H2, having renewed its contract with Computacenter for a further four years.

contracts. This makes it easier to assign the most appropriate specialist resource where it is needed, as well as helping to achieve higher levels of utilisation. Our success in lowering operating costs and building a more streamlined service delivery model has helped improve the competitiveness of our offerings.

The total services revenue in 2005 was £267.2 million and our annual contracted base increased 4.6% to £177.1 million.

The Services Division comprises three business units: Managed Services, Support Services and Technology Solutions.

Managed Services

Our Managed Services business unit is contractually responsible for the management of our customers' IT infrastructures, with the goals of reducing their costs and improving their user service levels.

To accelerate the growth in our Managed Services business a number of initiatives were begun in 2005 aimed at targeting our offerings more effectively, reducing operational costs and delivering a more efficient service. Central to these initiatives is the leverage of common processes and central resources, shared across the whole Services Division.

Considerable work has been done to define more clearly our core Managed Services propositions and match our offerings more closely to customers' requirements. In particular, we now have offerings specifically designed to meet a growing demand for cost-effective managed support of datacentres, and for ensuring 24x7 IT systems availability.

Significant new Managed Services business in 2005 included the award of a five-year global contract with a major investment bank, a major contract with British American Tobacco, and the renewal of our contract with AEGON UK for a further five years. A major focus in 2006 will be the negotiation of the renewal of our flagship Managed Services contract with BT which, unless the renewal is accelerated, comes to the end of its term in March 2007.

Support Services

Our Support Services business unit includes services such as installations and maintenance of desktops, datacentres and networks, user help-desk support, and disaster recovery. Support Services activities differ from Managed Services in that they involve more day-to-day customer instruction, as opposed to a contractually defined service level agreement.

We saw 5.1% growth in engineering and maintenance revenues compared to 2004. Support Services operating costs fell as a result of a 10% reduction in logistics costs, record levels of engineer utilisation, better supply chain management of spare engineering parts, and leverage of our European scale in purchasing.

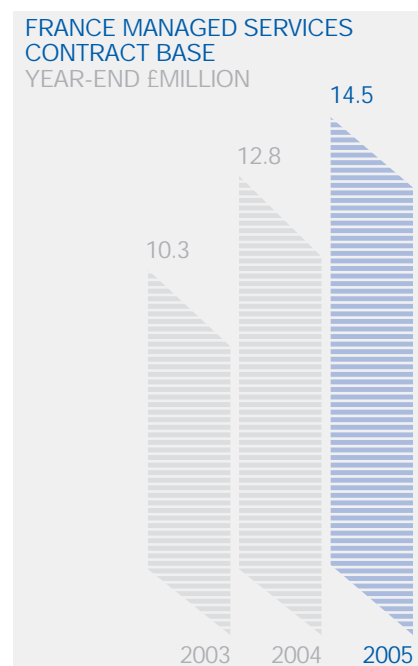
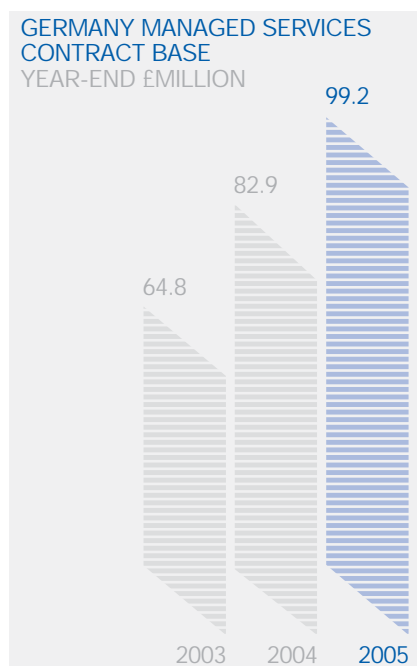
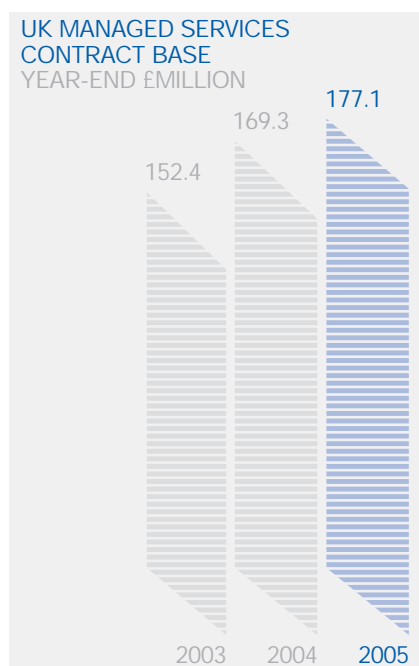
Technology Solutions

The Technology Solutions business unit is responsible for professional services, including integration and project management services, and the provision of expert advice across a range of platforms and technologies.

Overall Technology Solutions revenues were broadly unchanged. However revenues from cabling projects grew strongly and we saw a 14% increase by volume in enterprise hardware related projects. We are now seeing a healthy pipeline of Technology Solutions projects for 2006.

In 2005 we sought to broaden and deepen our Technology Solutions portfolio, redeploying our consulting skills in new growth areas and particularly targeting the more business-critical areas of IT infrastructure. This has led to the establishment of six solutions units, providing consulting services in the areas of datacentre, storage, communications, Microsoft technologies, security and cabling. Considerable work has been done in each of these areas to define more clearly a portfolio of propositions aimed at delivering demonstrably attractive returns on investment.

A number of significant Technology Solutions projects were undertaken in 2005, including the design, testing and deployment of an upgraded IT infrastructure for the Prescription Pricing Authority (PPA), which is required to



help reduce the cost of prescription processing in England. Computacenter has also been contracted to provide ongoing support of the PPA infrastructure under a five-year Managed Services agreement.

Product Division

In 2005, Computacenter experienced a 7.3% decline in UK product revenues, reflecting continuing intense price competition and the efforts of certain major vendors to sell direct. The adverse financial impact of this revenue decline was compounded by substantially inferior vendor terms. The gross profit from our product sales over the full year fell by £35.2 million, of which £27.0 million was attributable to lower vendor rebates.

The new Product Division comprises four business units: Corporate Hardware, Software, Computacenter Direct and CCD.

Corporate Hardware

In Corporate Hardware, we saw a significant shift in demand away from commodity PC and notebook products towards enterprise-class technologies, including high-end servers and networking products. In particular, we saw high growth in sales of enterprise products from IBM, Sun, Veritas, Cisco, EMC, Oracle and BMC. The substantial increase in product revenue in the last weeks of 2005 was primarily related to sales of these kinds of products, which generally attract higher levels of margin.

To help us streamline our sales processes and make them more cost-effective, we have undertaken a number of initiatives intended to introduce a 'lighter-touch' sales model in the UK. A significant development in this area has been the retraining and realignment of our Sales Support function. This is designed to provide a more proactive product advice service and grow revenues with existing customers, as well as allowing us to monitor the commercial terms of relationships more closely.

We have also deployed a new internal sales administration system, which simplifies the order process and improves our ability to identify opportunities for alternative or supplementary sales. More of our business was conducted online in 2005, with

GROWING COMPUTACENTER DIRECT

We continue to invest for growth in Computacenter Direct, which targets the UK medium-sized business sector. The unit now comprises over 50 employees, with 35 new salespeople recruited during the year.



LEVERAGING CENTRAL RESOURCES

The sharing across the whole UK Services Division of central resources, such as the Service Support Centre, is helping us reduce operational costs and deliver a more efficient service.



11% of orders now placed via our webshop, Computacenter Connect, a major revision of which is due in April 2006.

We introduced or are developing a number of innovative procurement services designed to make our offerings more competitive. This includes the 'Computacenter Recommends' portfolio of products, launched in H2 2005, which is a range benchmarked for its high value and low cost, and offers customers highly compatible and readily available technology.

Nonetheless, the Corporate Hardware business unit continues to experience challenging market conditions and reducing margins. The trading terms and conditions with HP, our major vendor partner, deteriorated still further following our annual renegotiation in November 2005. However, the decline was modest and we do not expect this to have a material effect on profitability in 2006.

Software

Our new Software business unit provides software procurement consulting, sourcing and asset management services.

Our software business grew 4.6% in 2005 to revenues of over £134 million following the establishment of this specialist business unit and the ensuing renewed focus on this area.

Considerable work was done in extending our licence management capability to include a wider range of vendor offerings and adding new personnel and skills to the business unit. Twelve new customer propositions were defined and matched against market requirements, with the overall aim of helping customers avoid unnecessary software spend and gain greater control over their software assets.

To accelerate growth in this area of business we have also invested in new systems that allow us to track customers' software procurement cycles and so identify licence renewal or extension opportunities at an early stage.

Computacenter Direct

Through our new venture Computacenter Direct, we are targeting the growing market for IT product and services in the medium-sized business sector, where the scale benefits of our logistics infrastructure offer real competitive advantage.

Revenues from this business unit increased steadily through 2005 to approximately £4 million per month, and product margins were above those achieved from our traditional large corporate accounts. We continue to invest for Computacenter Direct growth; the unit now comprises over 50 employees, with 35 new salespeople recruited during the year.

CCD

CCD, our trade distribution division, had a disappointing year. The operation saw a significant decline in profitability due to margin pressures in a fairly stagnant market. This is the area of our business where the adverse changes in vendor terms have had most impact. In addition, the prospect of channel consolidation has led to increasingly aggressive price competition between distributors.

In the face of these challenges, CCD embarked upon a major operating cost reduction programme in 2005, reducing headcount by 15% and relocating to lower cost premises.

RDC

Our technology recycling and remarketing operation, RDC, had a difficult 2005, only managing to break even over the full year. H1 was particularly poor, due to a low level of new desktop and laptop implementations by some large customers, reducing the need for RDC's recycling services, coupled with the delayed introduction of the WEEE waste management legislation in the UK.

To answer customers' changing requirements more effectively in the light of the legislation, cost reductions achieved over the year were channelled into the launch during Q4 of a Computacenter Asset Recovery Service (CARS) for the management of end-of-life computer technology.

We are confident that the launch of CARS, together with successes already achieved in a number of major accounts this year will take RDC back into profit in 2006.

Germany

After an operating loss of £1.5 million in the first half of 2005, Germany returned to profit in H2, recording a full year profit of £5.0 million (2004: £9.0 million) on full year revenue decline of 5.7% to £618.2 million (2004: £655.5 million).

CREATING A SINGLE ENGINEERING FORCE

Over 2,000 staff in the UK previously dedicated to different functions and contracts now work for the centralised Technology Resources Group, helping us assign the most appropriate specialist resource and achieve higher levels of utilisation.



GROWING OUR SOFTWARE BUSINESS

In the UK, we grew our licence management revenues and extended our capability to include a wider range of vendor offerings. We also saw strong growth in Germany as customers continue to standardise their applications suites.



2005 was a difficult year for Computacenter Germany with further decline in the traditional desktop and laptop product resale business, reflecting the weak economic climate and the impact of vendors selling direct to end-users. However as our customers began to release more capital for IT projects in H2, we saw a recovery in networking and datacentre technology revenues, fuelled by server consolidation and storage projects. We also saw strong growth in software licensing sales as customers continued to standardise their applications suites.

Overall, our services business performed satisfactorily considering the market conditions, with revenues growing by 5.8% over 2004. Service margins recovered strongly after a disappointing H1, in part due to a successful renegotiation of a particularly problematical contract.

Professional Services resource utilisation was high across projects, consultancy and customer engineering and we have a strong pipeline for these activities for 2006.

Our Managed Services business enjoyed growth above the market in 2005. Significant successes included the securing of a contract to provide maintenance services to the telecommunications company Telefónica, which will transfer its Field Engineering division to Computacenter in an outsourcing agreement.

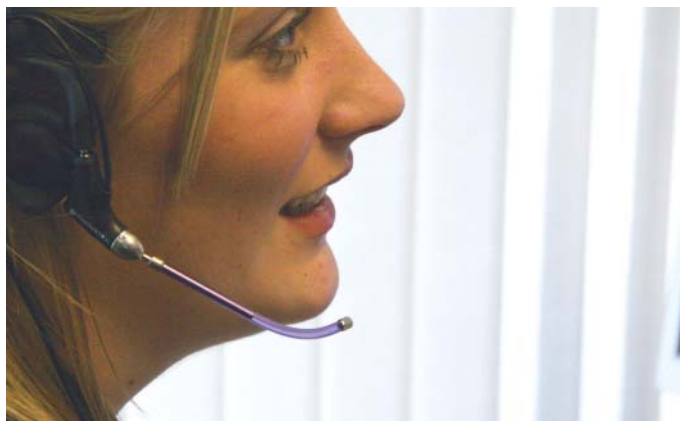
In our interim report we said that our reorganisation at the beginning of the year had four key objectives: to improve our focus on the medium-sized business market; to sell a broader range of products and services to existing customers; to sharpen our focus on the growth areas of Government and Financial Services; and to improve relationships with our key vendor partners. We began to see progress on all these objectives during 2005. However, the full impact of our improvement plan is unlikely to be evident until 2006.

France

Following a very poor first half, performance improved substantially towards the end of the year, resulting in revenues that were broadly unchanged on 2004. Nevertheless,

GROWING MANAGED SERVICES

We saw Managed Services contract base growth across all geographies, as customers looked to us to reduce their costs and improve their user service levels.



TAKING ON CUSTOMER EMPLOYEES

In Germany, Telefónica is to transfer its field engineering division to Computacenter in an outsourcing agreement. 1,600 of the UK's current total of over 4,700 staff joined the Company through TUPE transfer.



the Computacenter France operating loss deepened to £9.3 million (2004: £6.7 million), partly due to the cost of restructuring the business.

The partial recovery in H2 was achieved despite continuing intense price competition and was partly due to seasonal factors, with the French market for IT products typically more buoyant in the second half of the year.

In addition, our largest French account, Le Ministère de la Défense, resumed expenditure in H2, having renewed its contract with Computacenter for a further four years. Expenditure had been suspended for nine months whilst the contract renewal was put out to competitive tender. This had a material impact on overall Computacenter France revenues, negatively in H1 and, as spending recovered to well above normal levels, positively in H2.

The effects of our major transformation project also began to be realised in the second half of the year. A substantial effort was made to rectify the inconsistent revenue stream and consequent low utilisation levels in Professional Services. We also achieved a material improvement in our indirect cost base, with a total of 56 staff entering the formal redundancy process, which will lead to savings in 2006.

In addition, we saw a material improvement in the profit performance of our maintenance operation following the major re-engineering project begun in 2004. This has also given us a growing pipeline of new maintenance contracts.

Whilst the costs of the transformation project have adversely affected profit performance in 2005, we believe we have made significant progress towards Computacenter's eventual return to profit in France. As we continue to focus on delivering revenue growth and reducing operating costs, our aim is to reduce loss in 2006 and break even in 2007.

Significant wins included a major Managed Services contract with Air Liquide, including international help desk services provided by our multilingual support facility in Barcelona.

Belgium, Netherlands and Luxembourg

In Q1 2005 we extended our business to the Netherlands, establishing a small office in Amsterdam. Overall, our Benelux business showed a slight loss of £0.1 million (2004: profit of £0.0 million) with a 5.4% decrease in revenues to £19.9 million (2004: £21.0 million).

The most significant achievement in Benelux was the award in December 2005 of a three-year renewal, with extended scope, of our global desktop Managed Service with SWIFT. We also saw the renewal of our desktop services management agreement with Clearstream in Luxembourg, contracted through our relationship with Group Deutsche Börse in Germany.



MIKE NORRIS
CHIEF EXECUTIVE OFFICER

INTERNATIONAL SUPPORT FROM BARCELONA

In France we won a major Managed Services contract with Air Liquide, including international help desk services provided by our multilingual support facility in Barcelona.

NETWORKING AND SERVER GROWTH

In the UK and Germany, we saw a significant shift in demand away from commodity PC and notebook products towards enterprise-class technologies.





International financial reporting standards

The Group's audited financial statements have been prepared in accordance with IFRS for the first time, and are covered by IFRS 1, First-time adoption of IFRS. A description of how the Group's reported and financial position are affected by this change, including reconciliations from UK GAAP to IFRS for prior years, is shown in note 29 to the financial statements, with further information available on the investors section of the corporate website at www.computacenter.com.

Turnover and profitability

Revenues for the year of £2.29 billion represented a reduction of 5.2% from 2004. This is driven by a decline in product revenues of 7.2%, reflecting continuing intense price competition and certain vendors seeking to sell commodity PC products direct, particularly in the UK. Services revenues increased overall by 2.3%. Within this result, Managed Services revenues grew by just 1.8%. Pre-tax profits from continuing operations reduced from £67.9 million to £34.0 million.

Operating profit

Group operating profit from continuing operations under IFRS decreased significantly from £66.2 million to £27.7 million.

- In the UK, revenues decreased by 5.7%, and gross profit decreased by 17.4%. As a result, the gross margin percentage reduced from 14.3% to 12.6%. Ongoing cost control measures helped to reduce UK headcount by 164, resulting in SG&A costs that were 2.9% lower in absolute terms. UK operating profit reduced by 49.7% from £63.8 million to £32.1 million.

Product pricing and margins continued to be under pressure throughout the year, and consequently product revenues fell by 7.3%. The adverse impact of this revenue decline was compounded by substantially reduced vendor rebates due to both a failure to achieve vendor targets and a reduction in the rebate percentage available. The gross profit decline in the UK is almost entirely attributable to the product business, and £27.0 million of this is attributable to lower vendor rebates.

Services revenues in the UK increased by 0.9%. Managed Services revenues were broadly unchanged from 2004, due to certain contract value reductions on renewals in the first half of 2005. However the annual contract base increased

- > Revenues for the year of £2.29 billion represented a reduction of 5.2% from 2004. This is driven by a decline in product revenues of 7.2%, reflecting continuing intense price competition and certain vendors seeking to sell commodity PC products direct, particularly in the UK.

during H2 and, at £177.1 million, was 4.6% higher at the year end than in 2004. Other services revenues, relating largely to Technology Solutions, increased by 2.3%, the growth coming from a doubling of cabling revenues.

- In Germany the operating profit contribution fell from £9.0 million to £5.0 million. However, the profit performance in the second half of £6.5 million represented a significant improvement from the loss of £1.5 million in the first half of the year. The gain is partly due to some operational improvements to a services contract that had been loss-making in the first half, coupled with the usual seasonal improvement in the second half of the year.

Revenues reduced by 5.7% to £618.2 million from £655.5 million. However one large customer roll-out during 2005 was billed via Computacenter UK to a German customer. As a result, UK revenues of £22 million are attributable to the German business. Adjusting for this, German revenues for 2005 would have been £640.2 million, a reduction of just 2.3%. Whilst services revenues increased by 5.8%, product revenues reduced by 11.0% (a reduction of 6.1% after the UK-billed revenues of £22 million are added back). The lower product revenues are attributable to a significant decline in the traditional desktop and laptop PC business where certain large accounts are now invoiced directly by PC vendors. In services, the contract base in Germany increased by 19.8% to £99.2 million. However, part of this apparent growth simply reflects the fact that some customers converted from short-term 'body-shopping' to longer term contracts, and the underlying increase in contractual services growth is actually in the order of 10-15%.

Whilst pricing pressures continued in both product and services activities, gross profit return benefited from a shift towards services, which generates a higher gross margin. Absolute gross margin achieved in Germany fell by 3.1%; however the gross margin percentage increased to 14.2% compared with 13.8% in 2004. SG&A costs remained under control, although a small increase of £1.2 million (1.5%) reflected targeted investments in specific growth areas.

- In France the financial performance was again disappointing. The operating loss increased from £6.7 million to £9.3 million, although some encouragement can be taken from the fact that this loss reduced from £7.9 million in the first half of

2005 to £1.4 million in the second half. Revenues decreased by 1.5%, which represented a strong recovery during the second half of the year, as revenues had been 14.2% down in the first half. The overall gross margin percentage reduced from 10.6% to 9.8%, as a result of continued price and margin pressure, notably in the product business. The reduced gross margin in product was offset by an improved return in services, where some of the initial benefits of a major transformation project were realised. SG&A costs reduced by just 0.6% at a headline level, although 2005 included £1.7 million redundancy costs in relation to the services transformation project, which is not expected to recur in 2006.

- Revenues in the 'Benelux' region reduced by 5.4% where, as in other countries, the product business faced challenging market conditions. There was an encouraging performance in services, with revenues increasing by 9.8%. SG&A costs increased by 5.9% due to some small targeted services investments in the business. Overall the operating performance was a loss of £0.1 million, compared to a small operating profit in 2004.

Earnings per share and dividend

The significant reduction in operating profit in the year resulted in a reduction in diluted earnings per share (from continuing operations) of 57.4%, from 25.6p to 10.9p. Taking into account discontinued operations for 2004, diluted earnings per share reduced from 23.5p to 10.9p, a reduction of 53.6%. It is our intention to maintain the total dividend for the year at 7.5p per share. The final dividend will be payable on 30 May 2005 to registered shareholders as at 5 May 2005.

Cash flow and working capital

	2005	2004	Diff
Inventory days	23	26	-3
Trade receivable days	51	51	0
Trade payable days	39	33	-6

TABLE 1: GROUP REVENUES, H1 2003 TO H2 2005
£MILLION

	Half 1	Half 2	Total
2003*	1,254.7	1,226.6	2,481.3
2004**	1,228.9	1,181.7	2,410.6
2005**	1,151.6	1,133.6	2,285.2
2005/04	(6.3%)	(4.1%)	(5.2%)

TABLE 2: PRE-TAX PROFIT (PRE EXCEPTIONALS), H1 2003 TO H2 2005
£MILLION

	Half 1	%	Half 2	%	Total	%
2003*	32.0	2.5	33.2	2.7	65.2	2.6
2004**	30.1	2.4	37.8	3.2	67.9	2.8
2005**	8.2	0.7	25.8	2.3	34.0	1.5
2005/04	(72.7%)		(31.7%)		(49.9%)	

* UK GAAP including Austria

** IFRS – continuing operations

Inventory levels decreased from £118.9 million to £100.2 million and inventory days decreased from 26 to 23. With a lower level of product sales, and reduced price protection terms with vendors, there has been increased focus on risk management of the inventory holding. In addition, the proportion of enterprise product sales increased, particularly towards the end of the year, and these items are typically not held in inventory, being usually delivered directly from the vendor to the end user.

Trade receivable days for both 2004 and 2005 are shown under IFRS, and exclude the non-recourse factor financing in France, which is now shown within borrowings. Trade receivable days remained unchanged at 51. Whilst revenues in total are 5.2% lower, there was a higher proportion of sales in the last two weeks of the year, notably in the UK. In France, there is an underlying trend of reduced trade receivable days, due to improved debt collection processes. However, this reduction has been offset by adverse changes to payment and invoicing terms with one major customer in the UK.

Trade payable days increased from 33 to 39. Due to the higher levels of business in the last two weeks of the year, the trade payables balance and trade payable days calculation, similar to trade receivables, was higher at the end of December 2005. In addition, as a result of the significant reduction in the HP PC business, there has been a favourable mix variance due to the fact that we typically pay HP in 14 days rather than an average of circa 45 days for other vendors.

The cash generated from operations was £66.0 million (2004: £60.3 million). In relation to operating profit, cash generated from operations was 238.5% (2004: 93.3%). The contraction of the product business during the year, resulted in a cash inflow from working capital of approximately £20 million, although this is net of a £31.5 million reclassification of factor financing.

Under IFRS, the non-recourse factor financing in France has been reclassified from trade receivables to financial liabilities, although it is not included within the IFRS definition of cash and cash equivalents for the purpose of the cash flow statement. Under IFRS, after the effect of IAS 32 and 39,

net funds increased from £41.0 million at the end of 2004 to £100.4 million at the end of 2005.

The £59.4 million increase is due to the earnings from the year, working capital inflows of approximately £20 million and a £26.9 million settlement of the net asset value shortfall claim from the acquisition of Germany and Austria. The strong cash flow during 2005 contributed to a positive net interest income of £6.1 million (2004: £1.7 million). Corporation tax payments increased in 2005 to £18.4 million (2004: £12.3 million) as settlement payments for 2004 were paid during the year, whereas 2004 payments were lower than usual due to higher payments in 2003.

Update on acquisitions – Germany and Austria

In the 2004 Annual Report and Accounts, in note 14, there is a detailed analysis of the disputes arising from the acquisition of the German and Austrian businesses from GE.

As noted in the press release dated 19 May 2005, the net asset position was resolved substantially in favour of Computacenter and as noted in the press release dated 30 August 2005, legal proceedings concerning the contingent liability in relation to tax assets were resolved through the vendor withdrawing its claim. Following this, a decision was taken to acquire outright from GE all the tax assets in the purchase agreement. Taking account of the Net Asset Value claim and the purchase of the tax assets, Computacenter received €40 million (£26.9 million) on 6 September 2005 from GE. At the end of 2005, this resulted in a deferred tax asset of £5.5 million in the Group balance sheet which we expect to utilise as the German business makes pre-tax profits in the years ahead.

Disposal of subsidiary

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

At 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. Income and expenses for the year ended 31 December 2004 were included within the income statement, details of which are given in note 3 to the financial statements.

TABLE 3: REVENUES BY COUNTRY, H1 2004 TO H2 2005
£MILLION

	2005		2004	
	Half 1	Half 2	Half 1	Half 2
UK	715.5	635.8	758.4	675.3
Germany	300.0	318.2	311.9	343.6
France	126.2	169.6	147.1	153.3
Benelux	9.9	10.0	11.5	9.5
Continuing operations	1,151.6	1,133.6	1,228.9	1,181.7

TABLE 4: OPERATING PROFIT BY COUNTRY, H1 2004 TO H2 2005
£MILLION

	2005				2004			
	Half 1	%	Half 2	%	Half 1	%	Half 2	%
UK	14.9	2.1	17.2	2.7	29.3	3.9	34.5	5.1
Germany	(1.5)	(0.5)	6.5	2.0	2.5	0.8	6.5	1.9
France	(7.9)	(6.3)	(1.4)	(0.8)	(2.0)	(1.4)	(4.7)	(3.1)
Benelux	(0.1)	(1.1)	(0.0)	(0.0)	0.1	0.6	(0.1)	(0.6)
Continuing operations	5.4	0.5	22.3	2.0	29.9	2.4	36.2	3.1

Computacenter Austria made an operating loss of £1.5 million in the year ended 31 December 2004. The net assets, which included cash of £1.0 million, were disposed for consideration of £0.7 million.

Taxation

The effective tax rate (based on profit before tax from continuing operations) for the Group was 39.9% compared to 28.9% in 2004. The increase is mainly attributable to the impact of unrelieved operating losses in France. This accounted for a 9.6% differential in the tax rate from the standard 30%.

Financial instruments

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

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the financial results of the Group. The policies for managing each of these risks are set out below.

Interest rate risk

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

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and committed bank facilities in place to meet any foreseeable

peak in borrowing requirements. At 31 December 2005 the Group had £114.2 million (2004: £117.5 million) of committed bank facilities with maturities for up to one year, of which 28.2% (2004: 50%) were drawn down.

The Group's net cash position at the year-end was £100.4 million. In combination with the above facilities, our ability to access approximately £50 million of funds through sale and lease back of fixed assets, and our strong covenant provides a generous cushion for financing working capital movements.

Foreign currency risk

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

Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.



TONY CONOPHY
FINANCE DIRECTOR



Nationwide Building Society Technology Solutions

"By taking a proactive approach to renewing our cabling infrastructure, we will ensure that the needs of the business continue to be met now and in the future."

CHALLENGE

- > In the fast-moving financial services sector, companies must be able to deploy new technologies to retain competitive advantage. These technologies often rely heavily on a company's networking performance and underlying cabling infrastructure.
- > Nationwide's current cabling solution was between 12 and 14 years old. Although it met the current needs of the business, the building society had to ensure it could continue to offer high availability into the future.
- > Upgrading the infrastructure was a mammoth task, and would involve 8,000-plus desktops and approximately 1,000 kilometres of cabling.

SOLUTION

- > The upgrade was a long-term commitment requiring a substantial amount of out-of-hours working to avoid disruption to the business. To access the additional resources and avoid compromising its daily support activities, Nationwide decided to partner with Computacenter.
- > As well as assisting with the cabling upgrade, which is due to be completed in 2008, Computacenter has helped Nationwide deploy an intelligent patching solution to aid ongoing management.

SERVICES PROVIDED

Planning and design
Installation
Supply chain services
Project management

Country: UK



BENEFITS

- > The new infrastructure will increase connectivity to the desktop from 20 Mbps to 1,000 Mbps.
- > This improved cabling and connectivity performance will enable Nationwide to take advantage of new feature-rich applications it is developing.
- > The real-time monitoring capabilities of the new patching solution will enable Nationwide to seamlessly manage its estate, and reduce support overheads.



DaimlerChrysler Financial Services AG

Technology Solutions and Support Services

"The new network has proved to be very reliable and delivered outstanding performance."

CHALLENGE

- > As one of the largest providers of automotive financial services, the company needed to ensure that its network could meet its high expectations.
- > Expansion of the local area network at the company's Berlin headquarters had led to unstructured infrastructure growth and inadequate performance levels.
- > As well as increasing networking performance, DaimlerChrysler Financial Services was also keen to ensure the ongoing sustainability of the new environment.

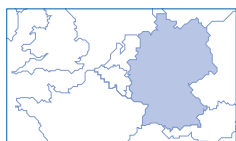
SOLUTION

- > As a former DaimlerChrysler supplier of the year, Computacenter was a natural partner for the project and helped the company design and implement a powerful network that would ensure trouble-free operations.
- > The new infrastructure, which Computacenter now supports, was built in parallel to the existing network to ensure a seamless migration. Computacenter also managed the roll-out to help reduce both risk and implementation time.

SERVICES PROVIDED

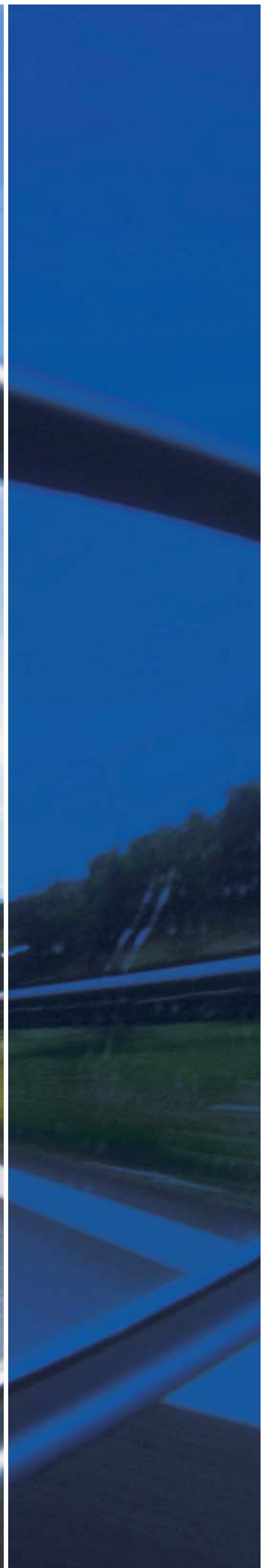
Installation
Planning and design
Network support
Product supply

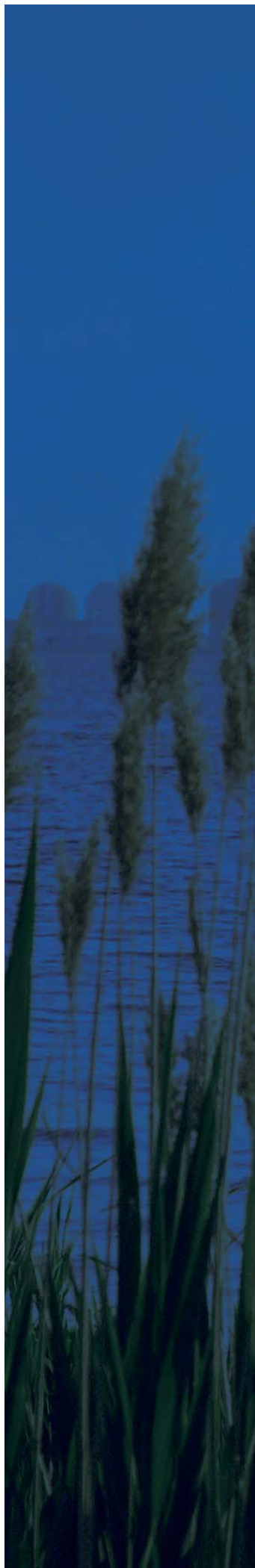
Country: Germany



BENEFITS

- > Thanks to round-the-clock monitoring by Computacenter, any problems can be immediately addressed, thereby ensuring outstanding networking performance.
- > The new infrastructure also provides the company with operating reliability and greater transparency, which enables support costs to be easily monitored.
- > By equipping its headquarters with a state-of-the-art networking infrastructure, DaimlerChrysler Financial Services will be able to take advantage of future technological enhancements and optimise its mobility and security capabilities.





Nuclear Decommissioning Authority (NDA) Managed Services and Technology Solutions

"Outsourcing our IT to Computacenter is very cost-effective and reduces our operational outlay."

CHALLENGE

- > The Nuclear Decommissioning Authority had just a matter of months between the UK government's approval of its formation and its go-live date of 1 April 2005 to deploy a fully integrated IT environment.
- > The new infrastructure not only had to meet the needs of the business but also comply with industry regulations and deliver operational excellence, which required a broad set of IT skills and resources.
- > Due to tight security controls, the efficiency of the environment had to be achieved without the advantage of technologies such as remote management.

SOLUTION

- > The NDA turned to Computacenter to plan, design and implement a new infrastructure that would meet its operational deadline and deliver a reliable infrastructure that could grow with the new organisation,
- > As the authority wanted to ensure its ongoing agility by limiting its headcount and outsourcing non-core business activities, it also signed a three-year Managed Service contract with Computacenter.

SERVICES PROVIDED

Datacentre, desktop and network support
Supply chain services
End user management
Portfolio management
Product supply

Country: UK



BENEFITS

- > By outsourcing its IT, the NDA has been able to reduce its operational overheads both in terms of IT support and recruitment costs.
- > The organisation is able to enjoy the benefits of new technology more rapidly, which enhances both efficiency and agility.
- > The partnership with Computacenter enables the NDA to tap into a flexible pool of resources, which helps ensure continuous service improvements and systems availability.

Saunier Duval Technology Solutions

"We can now detect errors even before they've affected users. We are saving precious time each day and on each operating system."

CHALLENGE

- > As a leading supplier of heating and hot water equipment, Saunier Duval must ensure that its IT infrastructure keeps pace with business demand and delivers competitive advantage.
- > Maintaining business continuity is a key concern for any organisation, and Saunier Duval needed to be aware of potential risks to the availability of its core server infrastructure.
- > With 10 main sites across France and 50 servers, the company lacked the in-house resources to deploy an effective monitoring and supervision solution without expert help.

SOLUTION

- > To assist with the implementation of its chosen solution, Microsoft Operations Manager (MOM), Saunier Duval turned to Computacenter. MOM collects warnings and events from the company's servers and helps restore the systems back to full service.
- > By working in partnership with Computacenter, Saunier Duval was able to de-risk the roll-out, reduce implementation time and gain a full understanding of how to maximise its investment in the solution.

SERVICES PROVIDED

Planning and design
Project management
Implementation and testing

Country: France



BENEFITS

- > The company saves at least an hour of support time every day, thanks to its proactive monitoring capabilities.
- > This increased level of proactive IT management means that Saunier Duval can also detect errors before they impact users, which helps safeguard business continuity.
- > The overall resilience of its IT infrastructure has been enhanced, with information on server malfunctions and performance being used to optimise and strengthen systems management.



Saunier Duval



01



02



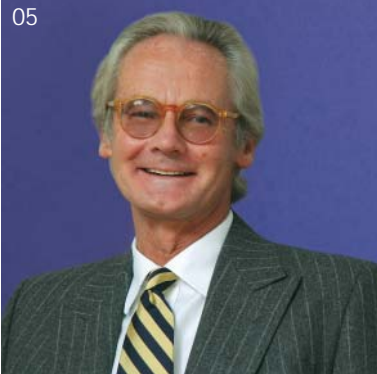
03



04



05



06



07



RON SANDLER
(54)

CHAIRMAN

Ron has a degree in engineering from Cambridge and an MBA from Stanford University. His early career was with the Boston Consulting Group, and as Chief Executive of Martin Bierbaum Group and Exco plc. He was Chief Executive of Lloyd's of London from 1995 until 1999, and subsequently Chief Operating Officer of NatWest Group. He is Chairman of Kyte Group and Oxygen plc, and a Director of Fortis Group. Ron was appointed Chairman of Computacenter in May 2001.

MIKE NORRIS
(44)

CHIEF EXECUTIVE

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

TONY CONOPHY
(48)

FINANCE DIRECTOR

Tony has been a member of the Institute of Chartered Management Accountants since 1982. He qualified with Semperit (Ireland) Ltd and then worked for five years at Cape Industries plc. He joined Computacenter in 1987 as Financial Controller, rising in 1991 to General Manager of Finance. In 1996 he was appointed Finance and Commercial Director of Computacenter (UK) Limited with responsibility for all financial, purchasing and vendor relations activities. In March 1998 he was appointed Group Finance and Commercial Director.

NICK COSH
(59)

Nick, a chartered accountant, has held a number of senior executive finance positions across a range of UK companies. He is currently a Non-Executive Director of Bradford & Bingley plc, Hornby plc and ICAP plc and is Chairman of Kiln plc. Previous positions held include Group Finance Director of JIB Group plc and of MAI plc.

PHILIP HULME
(57)

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

PETER OGDEN
(58)

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

CLIFF PREDDY
(58)

Cliff has worked in the IT industry for most of his professional career, including many years as an Executive Director of Logica plc. He is Deputy Chairman of Charteris plc, and a Non-Executive Director of CODASciSys plc.

- 
01. RON SANDLER
 02. MIKE NORRIS
 03. TONY CONOPHY
 04. NICK COSH
 05. PHILIP HULME
 06. PETER OGDEN
 07. CLIFF PREDDY

1. Compliance Statement

The Board continues to recognise the importance of corporate governance in relation to the achievement of the Group's objectives. It has devised policies that seek to apply established best practice in order to achieve and maintain compliance with the Combined Code on Corporate Governance, as published in July 2003 and reviewed in November 2005 ('the Code'). The Board acknowledges its responsibilities under the Code, the principles and provisions of which it supports. This report details how the Company has applied those principles and provisions. The Board confirms that, save as detailed below, the Company has complied with the provisions of the Code throughout the financial year.

2. Board of Directors

Structure

The Board currently consists of three Executive Directors: Ron Sandler, Mike Norris and Tony Conophy, and four Non-Executive Directors: Nick Cosh, Philip Hulme, Peter Ogden and Cliff Preddy. Details of the Directors, including their membership of Committees are set out below and their biographies appear on page 25. Nick Cosh and Cliff Preddy are considered by the Board to be independent in line with the provisions of the Code and Nick Cosh is the Senior Independent Director. Until 13 September 2005, Ghislain Lescuyer served on the Board as an independent Non-Executive Director but resigned when, having relocated to the USA, he was no longer able to discharge his duties as a Director.

The Directors are aware that during the year under review, the structure of the Board did not comply with provision A.3.2 of the Code, which requires at least half the Board, excluding the Chairman, to consist of independent Non-Executive Directors. The Board as a whole has considered its current structure over the period and, recognising the desirability of achieving compliance with this provision of the Code, intends to recruit additional independent Non-Executive Directors. However, the Board also recognises that the timing of such recruitment must have regard for the effective functioning of the Board at a time when the Company is undergoing considerable strategic change. This issue will be kept under review during 2006.

Decision Making

The roles of Chairman and Chief Executive are split and there is a clear division of responsibilities between the two, which is also

detailed in a written procedure. In brief, the Chairman is responsible for the effective operation of the Board and the Chief Executive is responsible for the management of the Group's day-to-day activities. There is no individual who has unfettered powers of decision and no one individual or group of individuals who dominates the Board's decision making processes. The Board believes that it oversees the Group effectively and is proactive in its approach. The Board is led by the Chairman, who is responsible for setting the agenda and ensuring its efficiency.

The Chairman facilitates the contribution of all Directors and is responsible for ensuring constructive relations exist between them. The Board sets the strategic aims for the Company and ensures that the necessary financial and human resources are in place to achieve these objectives. It is also responsible for reviewing the performance of management in order to ensure that they are meeting pre-agreed objectives.

There is a documented schedule of matters that are reserved for the Board and these matters include the approval of major capital expenditure and the agreement of strategies and budgets. All of the Directors have access to the Company Secretary, Stephen Benade, who is responsible for ensuring that all Board procedures are followed, applicable rules and regulations are complied with and that the Board is updated on all governance matters. The Chairman ensures that all Directors are properly briefed on issues considered at Board meetings to enable them to discharge effectively their duties. All Directors receive accurate and clear information in a timely manner. This includes detailed briefings on all matters where the Board is required to make a decision or to give its approval and regular reports on issues such as the trading performance and outlook. In addition, senior members of the management team are routinely invited to attend Board meetings, thereby ensuring Directors continually update their knowledge of, and familiarity with, the business of the Group. All of the Directors are entitled to obtain independent professional advice, at the Company's expense, where they believe it is important to the furtherance of their duties. The Company arranges insurance cover in respect of legal action against the Directors.

The names of the Directors together with details of their memberships of the various Board Committees are set out in the table below.

Name	PLC Board	Independent	Audit Committee	Remuneration Committee	Nominations Committee
Ron Sandler	Executive Chairman	No	No	No	Chairman
Mike Norris	Executive	No	No	No	No
Tony Conophy	Executive	No	No	No	No
Nick Cosh	Senior Independent Director	Yes	Chairman	Yes	Yes
Phil Hulme	Non-Executive	No	No	No	No
Ghislain Lescuyer ¹	Non-Executive until 13.09.05	Yes	Yes	Yes	Yes
Peter Ogden	Non-Executive	No	No	No	No
Cliff Preddy	Non-Executive	Yes	Yes	Chairman	Yes
Stephen Benade ²	Secretary	Not Applicable	Secretary	Secretary	Secretary

¹ Ghislain Lescuyer resigned from the Company on 13 September 2005.

² Stephen Benade was appointed as Company Secretary on 4 October 2005.

The Directors set appropriate values and standards, ensuring that obligations to shareholders and others are understood and met and that a satisfactory dialogue with shareholders is maintained. A framework of prudent and effective controls exist, to enable risks to be identified, assessed and managed.

All Directors are required to retire by rotation every three years and those Non-Executive Directors who have served for more than nine years are obliged to offer themselves for re-election annually.

The Board has established a formal process, which is led by the Chairman, for the evaluation of the performance of the Board, its Committees and individual Directors. Under the process each member of the Board is required to complete a confidential questionnaire, which provides the framework for the evaluation process. The questionnaire is designed to examine the effectiveness of the Board and Committee structures, objectives and processes, and the goals of individual Directors. The questionnaires are then followed by individual discussions with the Chairman to explore further the issues raised. Once these processes have been completed the results are presented to the Board as a whole for assessment and review. If any areas are identified as requiring improvement, the Board as a whole decides the necessary actions to be taken. The review of the performance of the Chairman is undertaken annually by the Remuneration Committee.

Principal Board Committees

The Board has delegated certain duties to three Committees, the main responsibilities and composition of which are as follows:

Audit Committee

Members: Nick Cosh (Chairman) and Cliff Preddy

All of the members of this committee are independent Non-Executive Directors in line with the Code. During the last quarter of 2005 the Company was not compliant with provision C.3.1, which states that there should be at least three members of the Committee. This non-compliance was due to the resignation of Ghislain Lescuyer and the Board will review this issue during 2006. During 2005 the Committee met four times and attendance at those meetings is set out on page 28. The Chairman, Group Finance Director, Group Internal Auditor, Group Risk Manager and the external auditor are invited to and attend the majority of meetings. The Committee assists the Board in fulfilling its duties 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 all other announcements regarding financial performance. In addition, it reviews and advises the Board on the scope, cost effectiveness and result of the audit and the external auditor's independence and objectivity. The volume of non-audit services provided by the external auditor is also reviewed in advance by the Committee to ensure objectivity, independence and cost effectiveness. The Committee monitors the integrity of internal financial controls and risk management systems. It also reviews reports presented by the Internal Audit Department and the Risk and Insurance Department, regarding significant operational risks and controls to

ensure that the latter are robust. In addition, the Committee reviews practices for answering staff concerns over improprieties, and should these arise, ensures that procedures are in place for appropriate investigation and follow-up.

Nominations Committee

Members: Ron Sandler (Chairman), Nick Cosh and Cliff Preddy

The Committee Chairman is Ron Sandler, the Executive Chairman of the Board, and the other members are independent Non-Executive Directors. Ghislain Lescuyer resigned from the Committee on 13 September 2005. In accordance with the provisions of the Code the majority of the Committee is made up of independent Non-Executive Directors. The Committee's responsibilities include leading the process for Board appointments, reviewing the Board composition, skills, knowledge and experience, and nominating candidates for both Executive and Non-Executive Directorships on the basis of merit and objective criteria. It also ensures that the procedures for the appointment of new Directors are formal, rigorous and transparent and that there is an orderly succession for appointments to the Board and senior management.

When making a recommendation for the appointment of a Director, the Committee will evaluate the existing balance of skills, knowledge and experience on the Board and produce a description of the role and capabilities required for such an appointment. The Committee typically uses the services of external advisers to help identify candidates from a wide range of backgrounds who will then be considered on merit against objective criteria.

The Committee did not meet in 2005 since the Board met as a whole to consider its structure and composition on various occasions in the course of the year.

Remuneration Committee

Members: Cliff Preddy (Chairman) and Nick Cosh

All of the members of this Committee are independent Non-Executive Directors. Ghislain Lescuyer resigned from the Committee on 13 September 2005, which meant that compliance with provision B.2.1 of the Code was not achieved in the last quarter of the year. Philip Hulme and Peter Ogden attend the Committee meetings as requested. Ron Sandler attends meetings but absents himself when his own remuneration is considered. The Committee determines the Company's general policy on executive remuneration, the specific packages for the Executive Directors and the level and structure of remuneration for senior employees in line with best practice. The Committee also monitors and reviews the terms and conditions of the Executive Directors' service agreements, determines the grant of shares or options to them and to senior employees, and appoints any consultants used in assessing their remuneration. The Committee's terms of reference are regularly reviewed by the Board to ensure that its activities comply with the provisions of the Code and in particular that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors.

Throughout 2005 the terms of reference for all Committees were available from the Company Secretary on request and were posted on the Company's website.

The attendance of the Directors at scheduled Board and Committee meetings held during 2005 was as follows:

Director	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of scheduled meetings held	8	4	1	–
Executive:				
Ron Sandler, Chairman	8	n/a	n/a	–
Mike Norris, Chief Executive	8	n/a	n/a	n/a
Tony Conophy, Finance Director	7	n/a	n/a	n/a
Non-Executive:				
Nick Cosh, Senior Independent Director	8	4	1	–
Phil Hulme	7	n/a	n/a	n/a
Ghislain Lescuyer ¹	4	2	1	–
Peter Ogden	6	n/a	n/a	n/a
Cliff Preddy	8	4	1	–

¹ Ghislain Lescuyer resigned from the Company on 13 September 2005.

From time to time, additional meetings are required which may not necessarily demand attendance by all Directors, depending on the nature of the business to be discussed. During the year, four such meetings were required to conclude matters previously considered by the Board. Ron Sandler, Mike Norris, Tony Conophy, Peter Ogden and Cliff Preddy attended all meetings. Nick Cosh and Phil Hulme attended three and Ghislain Lescuyer was present at one.

It is inevitable that there will be occasions when circumstances arise to prevent Directors from attending meetings. In such circumstances, the usual practice is for the absent Director to review the Board papers and to raise any considerations on specific issues with the Chairman.

In addition to the formal Board and Committee meetings, the Chairman meets with the Non-Executive Directors, without the other Executive Directors being present, at least once a year. The Non-Executives also meet without the Chairman, to appraise his performance.

3. Directors' remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 30 to 33.

4. Relations with shareholders

The Executive Directors have regular contact with institutional shareholders (except during close periods) and dialogue with shareholders generally is accorded a high priority. The Company has a programme of meetings with its major institutional shareholders and presents to analysts at least twice a year, following the announcement of its interim and final results. The Chairman arranges for the Directors to receive regular reports on shareholders' views to ensure the Board develops an understanding of matters of concern to the major shareholders. Nick Cosh, as Senior Independent Non-Executive Director, is available to answer any shareholder concerns that are unable to be resolved through regular channels. 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 communicate with investors and address their questions. Resolutions at the Company's general meetings have been passed on a show of hands and proxies for and against each resolution (together with any abstentions) are announced at such meetings and noted in the minutes.

5. Accountability and audit

The Board has overall responsibility for maintaining and reviewing the Group's systems of internal control, ensuring these are prudent and robust, and enable risks to be properly assessed and managed. Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

All systems of internal control are designed to continuously identify, evaluate and manage significant risks faced by the Group, key elements of which 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 by 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 including the Turnbull guidelines. A comprehensive risk management programme is monitored and developed by the Risk Committee, the members of which include key operational managers. 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.

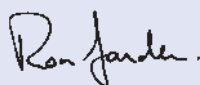
6. Board Review of Internal Control

The Directors confirm that a sound system of internal control is maintained and that procedures are 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; and
- consideration of the results of reviews of Group risk and controls.

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. The Committee approves a rolling audit programme ensuring that all significant areas of the business are independently reviewed within a three-year period. The programme and the findings of the reviews are continually assessed to ensure they take account of the latest information and, in particular, the results of the annual review of internal control. The effectiveness of the Internal Audit Department and the Company's risk management programme is reviewed annually by the Audit Committee.

The Board conducts an annual review of the effectiveness of the system of internal control including financial, operational and compliance controls and risk management systems. In addition, all major risks are reviewed by the Risk Committee and by key managers across the Group, and are recorded in a risk register which is updated regularly. Overall, the Board is satisfied that the risks are identified by the system of internal control and managed appropriately.



RA Sandler
Chairman

Remuneration Committee and Advisors

The Remuneration Committee received external advice from Linklaters and Mercer Human Resource Consulting in respect of the implementation of the new Performance Share Plan which received approval at the 2005 Annual General Meeting. In addition, general remuneration information has been provided by Towers Perrin.

Directors and employees of the Company who provided material advice or services to the Committee during the year were:

Ron Sandler	Chairman
Alan Pottinger	Company Secretary until 4 October 2005.
Tim Way	Group HR Director

In future, Stephen Benade as the new Company Secretary (appointed on 4 October 2005), may be called upon to advise the Remuneration Committee.

The Committee takes into account comparative practice in both the European technology sector and FTSE mid-250 companies.

Remuneration policy

The Board has delegated responsibility for determining remuneration policy to the Committee. No Director is involved in deciding his own remuneration. The Board determines the fees for Non-Executive Directors that reflect the time commitment and responsibilities of their roles, and the Committee is responsible for determining the appropriate policy for rewarding the Group's Executive Directors and senior management.

In implementing its policy, the Committee has given full consideration to the principles of the Combined Code with regard to Executive Director remuneration, and is satisfied that it has complied with best practice provisions in this matter. In particular, the following objectives have been addressed:

- to attract, retain and motivate Executive Directors with the qualities required to run the Company successfully;
- to reward Executive Directors through remuneration arrangements that are competitive but not excessive;

- to provide Executive Directors with an incentive for the development and performance of the Group in the best interests of shareholders; and
- to ensure that a significant proportion of Executive Directors' remuneration is structured such that rewards are linked to corporate and individual performance.

The policy is designed to ensure that a significant proportion of the total remuneration is dependent upon personal and Company performance and aligns the interests of executives and shareholders. This is achieved through a combination of fixed and variable payments, benefits, share option schemes and the Performance Share Plan.

Basic salary and benefits

In seeking to ensure that the basic salary and benefits for each Executive Director are appropriate and competitive, relevant external market data, as well as pay and conditions in the Group generally, are taken into consideration. The Chairman makes recommendations to the Committee in respect of the two other Executive Directors, based upon this information, together with an assessment of their individual performance against specific financial and non-financial goals, and the performance of the Group as a whole. Cliff Preddy, as Committee Chairman, is responsible for an equivalent process in respect of Ron Sandler's remuneration.

Performance-related bonus scheme

Mike Norris and Tony Conophy participate in annual performance-related bonus schemes. 40% of the award is linked to the financial performance of the Group against a pre-agreed target, with the balance related to the achievement of specific personal objectives agreed with each of them for the year by the Chairman, and approved by the Committee. Performance conditions are relevant, challenging and designed to enhance shareholder value. For 2005, the maximum levels of bonus were 75% of base salary and Mike Norris earned £100,125 (2004: £73,100) and Tony Conophy £100,800 (2004: £54,000). Following a review by the Remuneration Committee, the maximum levels of bonuses for 2006 will be 75% of base salary.

The various elements of Executive Directors' Remuneration are shown below:

Element:	Performance based equity schemes			
	Fixed basic salary	Bonus	PSP	Share options
Maximum Award:		75% of Base Salary	100% of Base Salary	125% of Base Salary
Purpose:	Reflects competitive salary levels and takes account of personal contribution and performance	Rewards the delivery of Group operational performance and achievement of personal objectives	Improved motivation for senior executives to contribute to growth and profitability and better align the Company's incentive arrangements with shareholders' interests	Linked to the achievement of significant and sustained improvements in the Company's financial performance and to the creation of value through increased share price
Performance Standard:	Individual contribution	Specific individual targets approved by the Remuneration Committee each year	EPS growth relative to RPI	EPS growth relative to RPI

Note: The Chairman is ineligible for a bonus award.

Equity schemes

Performance Share Plan

Approved by shareholders at the 2005 Annual General Meeting, it is intended that this new plan will operate as the main long term incentive scheme for senior employees in place of the existing executive option schemes. Under this plan, selected employees will receive conditional rights to acquire shares in the Company at the end of a performance period, subject to performance targets. In appropriate circumstances, grants of options under the current executive option schemes may still be considered, particularly in those countries where there may be associated tax or other advantages.

The Remuneration Committee believes that the PSP scheme will generate improved motivation for senior employees to contribute to growth and profitability, and better align the Company's incentive arrangements with shareholders' interests.

For 2006, the PSP performance target will be based on the Company's annual adjusted earning per share (EPS) growth in relation to the retail price index (RPI) and measured over a three year period. No shares subject to awards will vest if cumulative annual growth is less than RPI plus 3%. One quarter of the shares will vest at RPI plus 3%. Awards will vest in full if the Company's cumulative annual growth is at or above RPI plus 7.5%. If the Company's EPS growth over the period is between 3% and 7.5% above RPI, awards will vest on a straight line basis. There will be no re-testing of the performance target.

The maximum value of shares that can be awarded under the plan to an employee in a financial year is 1x base salary. This limit can be exceeded in exceptional circumstances up to an absolute maximum of 2x base salary. It is intended that awards for the Executive Directors will be in the range of 0.75 to 1x base salary. No awards were made under the PSP scheme in 2005.

Share options

The Executive Directors have historically been awarded executive share options under the Company's share option schemes, although no such options were granted during 2005. Since 1998, these awards have ordinarily been subject to certain performance conditions that are challenging and designed to produce significant and sustained improvements in the Group's underlying financial performance. The details of the various performance conditions relating to grants are set out in the table of Directors' interests in share options on page 33. Should the conditions not be met, options will lapse. The actual award is dependent upon individual and Company performance assessed against agreed personal targets and grants are normally limited to a maximum of 1.25x an individual's base salary.

EPS has been chosen as a performance measure on the basis that this is a widely used and transparent yardstick. As for the PSP scheme, EPS is calculated on a diluted basis. Further grants of share options will be made in appropriate circumstances only, since the approved Performance Share Plan is intended to become the main long-term incentive scheme for senior employees.

Pension

Past and present Executive Directors are entitled to participate in the Computacenter Pension Scheme, a defined contribution salary sacrifice scheme available to all employees under which a maximum annual Company contribution of £3,710 per employee is payable. The maximum Company contribution is automatically reviewed each July in line with the average increase in national earnings. The scheme also allows employees to make additional salary sacrifices, which the Company may contribute to the scheme on their behalf. The amounts of such additional salary sacrifices are shown as Company contributions in the table of Directors' remuneration on page 32. Mike Norris and Tony Conophy participate in the scheme.

Directors' Contracts

Director	Contract/letter of appointment start date	Expiry date	Unexpired term (months) as at 14 March 2006	Notice period (months)
Executive:				
Ron Sandler	15.03.2001	n/a*	see below*	12
Mike Norris	23.04.1998	n/a	none specified	12
Tony Conophy	23.04.1998	n/a	none specified	12
Non-Executive:				
Nick Cosh	08.01.2002	2008 AGM	25**	12
Phil Hulme	09.05.2003	2006 AGM	2**	12
Ghislain Lescuyer***	19.01.2004	n/a	n/a	n/a
Peter Ogden	09.05.2003	2006 AGM	2**	12
Cliff Preddy	08.01.2002	2008 AGM	25**	12

* Ron Sandler's service contract automatically terminates on his 65th birthday, on 5 March 2017.

** Calculated as at 14 March 2006 and assuming that future AGMs will be held in May each year, and assumes re-election where required to retire at earlier AGMs in accordance with the Company's Articles of Association.

*** Ghislain Lescuyer resigned from the Company's Board on 13 September 2005.

All Executive Directors have a rolling 12 month service contract with the Company, which is subject to 12 months' notice by either the Company or the Director.

No contractual arrangements are in place that guarantee additional payments upon termination of employment by the Company. All service contracts provide for summary termination in the event of gross misconduct.

The Non-Executive Directors do not have service contracts with the Company. They each operate under a letter of appointment that sets out their terms, duties and responsibilities. Non-Executive Directors are appointed for an initial term which runs to the conclusion of the first Annual General Meeting to be held following the third anniversary of appointment and may be renewed at that point for a further three-year term.

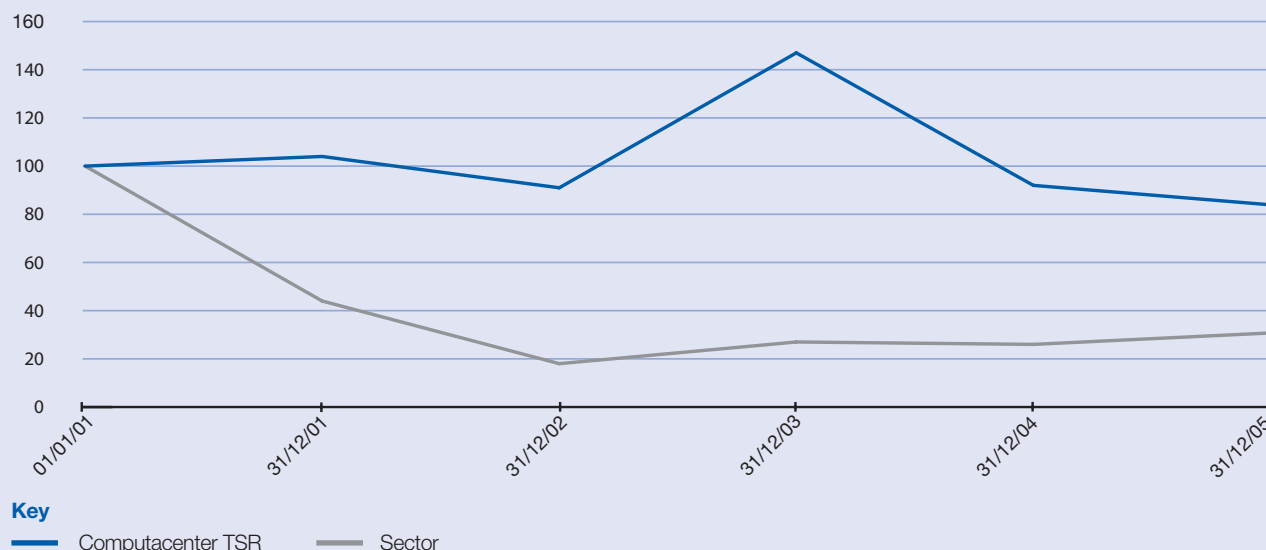
All Directors must offer themselves for re-election by shareholders in general meeting at least every three years, in accordance with the Company's Articles of Association.

Performance Graphs

The performance of the Company over the last five financial years in relation to other relevant UK-quoted shares is shown in the performance graph below.

Computacenter's shares are quoted on the London Stock Exchange and the Committee has deemed the FTSE Software & Computer Services share index as the comparator against which to assess Total Shareholder Return performance.

Total Shareholder Return performance Computacenter versus FTSE Software and Computer Services sector



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

Directors' remuneration

	Basic salary and fees £	Performance related bonuses £	Pension contributions £	Total 2005 £	Total 2004 £
Executive Directors					
RA Sandler	267,910	—	—	267,910	257,952
MJ Norris	444,675	100,125	3,625	548,425	506,600
FA Conophy	288,760	100,800	4,667	394,227	336,000
Non-Executive Directors					
NJ Cosh	42,500*	—	—	42,500	42,500
PW Hulme	30,000	—	—	30,000	30,000
GM Lescuyer	22,500	—	—	22,500	34,667
PJ Ogden	30,000	—	—	30,000	30,375
CSF Preddy	35,000**	—	—	35,000	35,000
	1,161,345	200,925	8,292	1,370,562	1,273,094

* Nick Cosh receives an annual fee of £12,500 for his services as Chairman of the Audit Committee.

** Cliff Preddy receives an annual fee of £5,000 for his services as Chairman of the Remuneration Committee.

Interests in share options

	Exercise price (p)	Exercise dates	Note	At 1 January 2005	Granted during the year	Exercised during the year	Lapsed	At 31 December 2005
Executive Directors								
RA Sandler	333.50p	20/03/2004 – 19/03/2011	(1)	150,000	–	–	–	150,000
	333.50p	20/03/2005 – 19/03/2011	(1)	150,000	–	–	–	150,000
	333.50p	20/03/2006 – 19/03/2011	(1)	200,000	–	–	–	200,000
	322.00p	10/04/2005 – 09/04/2012	(6)	91,226	–	–	–	91,226
	266.50p	21/03/2006 – 20/03/2013	(8)	117,260	–	–	–	117,260
	266.50p	21/03/2007 – 20/03/2013	(8)	200,000	–	–	–	200,000
	424.00p	02/04/2007 – 01/04/2014	(9)	76,650	–	–	–	76,650
		Total		985,136	–	–	–	985,136
MJ Norris	160.00p	31/07/2000 – 30/07/2007	(2)	250,000	–	–	–	250,000
	333.50p	20/03/2004 – 19/03/2011	(1,4)	8,995	–	–	–	8,995
	333.50p	20/03/2004 – 19/03/2011	(5)	48,726	–	–	–	48,726
	322.00p	10/04/2005 – 09/04/2012	(6)	122,670	–	–	–	122,670
	266.50p	21/03/2006 – 20/03/2013	(8)	194,652	–	–	–	194,652
	395.00p	01/12/2008 – 31/05/2009	(3)	4,012	–	–	–	4,012
	424.00p	02/04/2007 – 01/04/2014	(9)	126,768	–	–	–	126,768
		Total		755,823	–	–	–	755,823
FA Conophy	333.50p	20/03/2004 – 19/03/2011	(5)	35,982	–	–	–	35,982
	322.00p	10/04/2005 – 09/04/2012	(1,7)	9,316	–	–	–	9,316
	322.00p	10/04/2005 – 09/04/2012	(6)	66,770	–	–	–	66,770
	266.50p	21/03/2006 – 20/03/2013	(8)	121,951	–	–	–	121,951
	395.00p	01/12/2006 – 31/05/2007	(3)	2,335	–	–	–	2,335
	424.00p	02/04/2007 – 01/04/2014	(9)	79,599	–	–	–	79,599
		Total		315,953	–	–	–	315,953

There have been no changes in the above interests in share options since the year end. The Company's Non-Executive Directors are not permitted to participate in any of the Company's Employee Share Schemes and none of the Non-Executive Directors holds any outstanding share options over Computacenter ordinary shares.

Notes:

- 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 Sharesave Plus Scheme, which is available to all employees and full time Executive Directors of the Computacenter Group.
- 4) Exercisable on the condition that the average annual compound growth in the Computacenter Group's 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.
- 5) 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 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.
- 6) 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 post-investment in the Biomni joint venture, 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.
- 7) Exercisable on the condition that the average annual compound growth in the Company's earnings per share (on a post-investment in the Biomni joint venture, 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) 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 post-investment in the Biomni joint venture, diluted basis) compared to the base year of 2002, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2005, 2006 or 2007 respectively.
- 9) 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 post-investment in the Biomni joint venture, diluted basis) compared to the base year of 2003, is at least equal to the RPI plus 5% in any of the three four or five year periods up to and including 2006, 2007 or 2008 respectively.

The market price of the ordinary shares at 31 December 2005 was 255.00p. The highest price during the year was 320.75p and the lowest was 181.00p.

Stephen Benade

SJ Benade

Secretary

13 March 2006

The Directors are responsible for preparing the accounts and herewith present their report and the audited accounts of the Company for the year ended 31 December 2005.

Principal activities

The Company is a holding company and is a going concern. 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 information technology systems.

Review of the business

A detailed review of the Group's activities and the development of its business, together with an indication of future developments, are included in the Chairman's Statement on pages 4 to 5, the Chief Executive's Review on pages 6 to 11 and the Finance Director's Review on pages 12 to 15.

Results and dividends

The Group's activities resulted in a profit before tax of £34.0 million (2004: £67.9 million). The Group profit for the year available to shareholders amounted to £20.4 million (2004: £44.4 million).

The Directors recommend a final dividend for the year of £9.4 million (2004: £9.8 million). Due to the implementation of

IFRS, dividends are now recognised in the accounts in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders. As such, the amount recognised in the 2005 accounts, as described in note 10, is made up of last year's final dividend and the interim dividend of this year.

The final ordinary dividend, if approved, will be paid on 30 May 2006 to those shareholders on the register as at 5 May 2006. The Company paid an interim dividend of £4.6 million on 21 October 2005.

Directors

The Directors who served during the year ended 31 December 2005 are detailed below. Brief biographical details of the Directors at the date of this report are given on page 25.

Ron Sandler will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer himself for re-election. Philip Hulme and Peter Ogden, having served as Directors for more than nine years, will retire and offer themselves for re-election at the Annual General Meeting.

Directors' interests 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 2005		At 1 January 2005 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	1,271,265	–	1,271,265	–
FA Conophy	1,762,758	–	1,762,758	–
Non-Executive Directors				
NJ Cosh	5,000	–	5,000	–
PW Hulme	24,977,295	9,772,707	24,977,295	9,772,707
GM Lescuyer ¹	–	–	–	–
PJ Ogden	42,402,764	1,175,000	42,402,764	1,175,000
CSF Preddy	5,000	–	5,000	–

¹ Mr Lescuyer resigned as a Director on 13 September 2005.

There have been no changes in the interests of the Directors in the shares of Computacenter since 31 December 2005.

Major interests in shares

In addition to the Directors' interests set out above, no persons have notified the Company as of 31 January 2006, that they hold a substantial interest (as defined in the Companies Act 1985) in the existing issued ordinary share capital of the Company.

Authority to purchase own shares

At the 2005 Annual General Meeting a resolution was passed giving the Company authority to purchase up to 10% of its ordinary shares by market purchase. No such purchases were made during the year. A resolution to renew the authority is to be put to the 2006 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.

Financial instruments

The Group's financial risk management objectives and policies are discussed in the Finance Director's Review on pages 12 to 15 and in note 23 to the accounts.

Employee share schemes

The Company operates executive share option schemes and a performance-related option scheme for the benefit of employees. During the year, no options to purchase shares of the Company were granted under these schemes (2004: 1,607,222 ordinary shares of 5p each). At the year-end options remained outstanding under these schemes in respect of a total of 7,881,153 ordinary shares of 5p each (2004: 8,566,056 ordinary shares). During the year, options over 28,600 shares were exercised and options over 656,303 shares lapsed.

At the Annual General Meeting in April 2005, the shareholders approved a new Performance Share Plan (PSP) but no shares were granted under the terms of this scheme during 2005.

In addition, the Company continues to operate a Sharesave scheme for the benefit of employees. At the year-end, 3,309,941 (2004: 3,603,417) options granted under the Sharesave scheme remained outstanding.

During the year, the Company has remained within its headroom limits for the issue of new shares for employee share plans as required in the rules of the plans, specifically the 5% in 10 years limit for discretionary plans and the 10% in 10 years for all share plans.

Corporate Social Responsibility

The Board recognises that acting in a socially responsible way benefits the community, our customers, shareholders and employees alike. A wide variety of initiatives and measures are underway to ensure the Group continues to develop in a socially responsible way.

Health, Safety and Environment

It remains the policy of the Group that each business maintains the high standards necessary to safeguard the health and safety of its employees, customers, contractors and the public. This commitment is formally contained in the Health and Safety Policy Statement signed by the Chief Executive, which is available from the Company's website at www.computacenter.com/corporate-responsibility or upon request. The Health, Safety and Environment (HSE) Department monitors and reviews all procedures and policies, whilst also utilising the advice of external consultants in order to ensure the management systems comply with current legal requirements. The health, safety and environment management systems are registered with UVDB and verify with annual audits conducted to ensure conformance. The environment management system (EMS) additionally remains ISO 14001:2004 certified with the BSI conducting bi-annual audits at all key locations.

Employee involvement

Computacenter remains committed to involving all employees in contributing to the 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 matters of policy. Should there be trans-national issues to discuss, there exists a facility to engage the European Forum.

Employee opinion surveys were conducted during 2005 in the UK, Germany and France by external research companies, to seek employees' views on a wide range of subjects. Feedback has been shared and action plans developed involving employees from across the business. Examples of changes made as a result of previous surveys include the introduction of a new employee induction programme, the launch of a quality based employee reward and recognition scheme, and improved remote access to corporate systems.

Equal opportunities

The Group is committed to equal opportunities, monitoring and regularly reviewing policies and practices to ensure that it meets the standards it sets. No employee or potential employee receives less favourable treatment or consideration on grounds of race, national or ethnic origin, gender, age, disability, sexual orientation or marital status. 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. Policies dealing with equal opportunities are in place in all parts of the Group, which take account of the Group's overall commitment and also address local regulatory requirements. The HR Department monitors and reports to the Board on developments in regulation and practice in the various jurisdictions where the Group companies operate, thereby ensuring that appropriate action can be taken to ensure compliance.

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 required skills are available to meet the current and future management needs of the Group. At divisional and functional level, review processes exist to ensure that there is breadth and depth of management talent throughout the business.

Each year, approximately 2.5% of the Group's salary expense is spent on technical training and skills development. The Company's reward strategy has been reviewed and continues to emphasise performance-related pay, with bonus payments aligned to the Company's and divisional financial performance.

On 16 December 2005, the UK business was awarded the status of an Investors in People organisation.

Workplace

International human rights obligations and international employment laws are met through a broad range of policies across the Group. These ensure that, for example, employees are not subject to discrimination, arbitrary or unjust dismissal or unjust application of wage rates. Appropriate employee benefit programmes exist across the Group.

Business ethics

An ethics policy is operated by the Group, which includes a requirement for all employees to report abuses or non-conformance with the policy ('whistle-blowing'). This policy commits Computacenter employees to the highest standards of ethical behaviour in respect of customers, suppliers, colleagues and other stakeholders in the business.

Community relations and charity activities

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. It also organises and supports ad hoc charitable fundraising events. In addition, the donation of IT equipment to schools and other charitable causes is a feature of the Group's recycling programmes. In 2005 the Group made charitable donations amounting to £79,000.

Going concern

The Directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable company law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

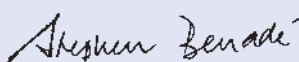
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the accounts; and
- prepare 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 and Article 4 of the IAS Regulation. 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.

By order of the Board



SJ Benade
Secretary
13 March 2006

We have audited the Group financial statements of Computacenter plc for the year ended 31 December 2005, which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes Equity and the related notes 1 to 30. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Parent Company financial statements of Computacenter plc for the year ended 31 December 2005 and on 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 are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the Group financial statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 Group financial statements. The other information comprises only 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 Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group 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 Group financial statements 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 Group financial statements.

Opinion

In our opinion the Group financial statements:

- give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

Luton

13 March 2006

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005


	Note	2005 £'000	2004 £'000
Continuing operations			
Revenue	3	2,285,209	2,410,590
Cost of sales		(1,996,381)	(2,080,392)
Gross profit		288,828	330,198
Distribution costs		(19,928)	(20,626)
Administrative expenses		(241,242)	(243,394)
Operating profit from continuing operations	4	27,658	66,178
Finance revenue	6	8,127	5,247
Finance costs	7	(2,002)	(3,537)
Share of loss of joint venture	14	–	(226)
Share of profit of associate	14	229	266
Profit before tax		34,012	67,928
Income tax expense	8	(13,579)	(19,639)
Profit for the year from continuing operations		20,433	48,289
Discontinued operation			
Loss for the year from discontinued operation		–	(3,923)
Profit for the year		20,433	44,366
Attributable to:			
Equity holders of the parent	9	20,406	44,435
Minority interests		27	(69)
		20,433	44,366
Earnings per share			
	9		
– basic for profit for the year		10.9p	23.8p
– basic for profit from continuing operations		10.9p	25.9p
– diluted for profit for the year		10.9p	23.5p
– diluted for profit from continuing operations		10.9p	25.6p

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

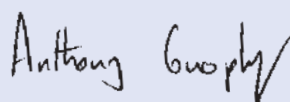
	Notes	2005 £'000	2004 £'000
Non-current assets			
Property, plant and equipment	11	81,601	89,914
Intangible assets	12	9,493	7,923
Investment accounted for using the equity method	14	288	373
Deferred income tax asset	8	5,528	1,486
		96,910	99,696
Current assets			
Inventories	16	100,233	118,914
Trade and other receivables: gross		382,970	438,452
Less: non returnable proceeds		–	(39,043)
Trade and other receivables	17	382,970	399,409
Prepayments		63,476	55,135
Forward currency contracts		191	–
Cash and short-term deposits	18	164,797	138,218
		711,667	711,676
Assets held in disposal groups held for sale		–	9,208
Total assets		808,577	820,580
Current liabilities			
Trade and other payables	19	315,997	306,964
Deferred income		73,827	89,083
Financial liabilities	20	64,131	58,706
Income tax payable		5,712	11,519
Provisions	22	2,190	2,358
		461,857	468,630
Non-current liabilities			
Financial liabilities	20	275	429
Provisions	22	14,007	15,233
Other non-current liabilities		371	2,691
Deferred income tax liabilities	8	1,393	1,455
		16,046	19,808
Liabilities included in disposal groups held for sale		–	6,888
Total liabilities		477,903	495,326
Net assets		330,674	325,254
Capital and reserves			
Issued capital	24	9,505	9,489
Share premium	24	74,680	73,920
Capital redemption reserve	24	100	100
Own shares held	24	(2,503)	(2,503)
Other reserves	24	(1,757)	(904)
Retained earnings		250,630	245,113
Amounts recognised directly in equity relating to disposal groups held for sale		–	(7)
Shareholders' equity		330,655	325,208
Minority interest		19	46
Total equity		330,674	325,254

Approved by the Board on 13 March 2006

MJ Norris
Chief Executive



FA Conophy
Finance Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2005

	Attributable to equity holders of the parent								
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Foreign currency translation reserve £'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	115	292,062
Exchange differences on retranslation of foreign operations:									
Continuing	–	–	–	–	(904)	–	(904)	–	(904)
Discontinued	–	–	–	–	(7)	–	(7)	–	(7)
Net income/(expenses) recognised directly in equity	–	–	–	–	(911)	–	(911)	–	(911)
Profit for the period	–	–	–	–	–	44,435	44,435	(69)	44,366
Total recognised income and expenses for the year	–	–	–	–	(911)	44,435	43,524	(69)	43,455
Cost of share-based payments	–	–	–	–	–	807	807	–	807
Exercise of options	48	2,434	–	–	–	–	2,482	–	2,482
Equity dividends	–	–	–	–	–	(13,552)	(13,552)	–	(13,552)
	48	2,434	–	–	(911)	31,690	33,261	(69)	33,192
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
Exchange differences on retranslation of foreign operations	–	–	–	–	(846)	–	(846)	–	(846)
Net income/(expenses) recognised directly in equity	–	–	–	–	(846)	–	(846)	–	(846)
Profit for the period	–	–	–	–	–	20,406	20,406	(27)	20,379
Total recognised income and expenses for the year	–	–	–	–	(846)	20,406	19,560	(27)	19,533
Cost of share-based payment	–	–	–	–	–	(366)	(366)	–	(366)
Exercise of options	16	760	–	–	–	–	776	–	776
Equity dividends	–	–	–	–	–	(14,375)	(14,375)	–	(14,375)
	16	760	–	–	(846)	5,665	5,595	(27)	5,568
At 31 December 2005	9,505	74,680	100	(2,503)	(1,757)	250,630	330,655	19	330,674

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Operating activities			
Operating profit from continuing operations		27,658	66,178
<i>Adjustments to reconcile Group operating profit to net cash inflows from operating activities</i>			
Loss for the year from discontinued operation		–	(1,547)
Depreciation		15,535	17,017
Amortisation		1,784	1,365
Share based payment		(366)	898
(Profit)/loss on disposal of property, plant and equipment		(85)	756
Loss on disposal of intangibles		–	48
Profit on disposal of investment		–	(1,603)
Dividend received from associate		303	509
Decrease in inventories		16,824	14,278
Increase in trade and other receivables		(25,904)	(23,156)
Increase/(decrease) in trade and other payables		29,925	(14,604)
Currency and other adjustments		287	181
Cash generated from operations		65,961	60,320
Income taxes paid		(18,366)	(12,296)
Net cash flow from operating activities		47,595	48,024
Investing activities			
Interest received		9,086	4,359
Sale of subsidiary net of cash disposed of		(252)	–
Sale of property, plant and equipment		205	1,756
Purchase of property, plant and equipment		(6,950)	(11,615)
Sale of intangible assets		–	211
Purchases of intangible assets		(3,385)	(2,593)
Dividend received		–	23
Sale of listed investments		–	4,650
Funds received from settlement of net asset claim on previously acquired subsidiary		26,918	–
Net cash flow from investing activities		25,622	(3,209)
Financing activities			
Interest paid		(2,063)	(3,439)
Dividends paid to equity shareholders of the parent		(14,418)	(13,587)
Proceeds from share issues		776	2,482
Repayment of capital element of finance leases		(321)	(39)
Decrease in factor financing		(6,401)	–
Net cash flow from financing activities		(22,427)	(14,583)
Increase in cash and cash equivalents		50,790	30,232
Effect of exchange rates on cash and cash equivalents		1,576	(149)
Cash and cash equivalents at the beginning of the year	18	80,545	50,462
Cash and cash equivalents at the year end	18	132,911	80,545

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2005 £'000	Cash flows in year £'000	Exchange differences £'000	At 31 December 2005 £'000
Cash and cash equivalents	80,545	50,790	1,576	132,911
Factor financing	(39,043)	6,401	1,100	(31,542)
Finance leases	(172)	(480)	–	(652)
Bank loan	(326)	–	–	(326)
Net funds	41,004	56,711	2,676	100,391

The Group's net funds as at 31 December 2004 were £80.0 million. The impact of the adoption of IAS 32 and IAS 39 was to decrease net funds by £39.0 million due to a reclassification from trade and other receivables to financial liabilities in respect of non-recourse financing arrangements. This amount was previously shown under a linked presentation.

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Computacenter plc for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the Directors on 13 March 2006. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's financial statements have been prepared in accordance with 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 Principles (UK GAAP).

2 Summary of significant accounting policies

Basis of preparation

The results for the year ended 31 December 2005 represent the first annual report that the Group has prepared in accordance with its accounting policies under IFRS. 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 given in note 29 with further information available on the Investors Section of the corporate website at www.computacenter.com.

The Group's audited financial statements have been prepared in accordance with IFRS and are covered by IFRS 1, First-time adoption of IFRS. The financial statements have been prepared in accordance with those IFRS standards issued and effective as at the time of preparing the statements, and have been applied retrospectively except where certain exceptions apply.

The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

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 changes attributable to the fair values of both the hedging instruments and the hedged item are recognised at each reporting 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 non-recourse financing 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 IAS 39 is included in these financial statements as note 30.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Computacenter plc and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using existing GAAP in each country of operation. Adjustments are made to translate any differences that may exist between the respective local GAAPs and IFRS.

All intra-Group balances, transactions, income and expenses and profit and losses resulting from intra-Group transactions that are recognised in assets, have been eliminated in full.

Subsidiaries are consolidated from the date on which the Group obtains control and cease to be consolidated from the date on which the Group no longer retains control.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation, down to residual value, is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold land and buildings	25-50 years
Leasehold improvements costs	period to expiry of lease
Structural improvements	shorter of 7 years and period to expiry of lease
Fixtures and fittings	
– Head office	5-15 years
– Other	shorter of 7 years and period to expiry of lease
Office machinery, computer hardware	2-15 years
Motor vehicles	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Intangible assets

Software and software licences

Software and software licences includes computer software that is not integral to a related item of hardware. These assets are stated at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on straight-line basis over the estimated useful life of four years.

The carrying values of software and software licences are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Goodwill

Business combinations on or after 1 January 2004 are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised on acquisitions prior to 1 January 2004, the date of transition to IFRS, is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it. Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Interest in joint venture

The Group's interest in its joint venture is accounted for using the equity method of accounting. The net investment in the joint venture is carried in the Group's balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture, less any impairment in value.

Where the Group's holding in its joint venture is diluted its share of the changes in net assets of the joint venture are changed to reflect its new holding as at the date of the dilution.

The joint venture is equity accounted for until the date on which the Group ceases to have joint control over the joint venture.

Investment in an associate

The Group's interest in its associate is accounted for using the equity method of accounting. The associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint venture. The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical. As is the case with the Group's subsidiaries, the associate prepares its accounts under local GAAP. These are then converted into IFRS during the consolidation process of the Group.

The investment in the associate is carried in the Group's balance sheet at cost plus its share of the post-acquisition changes in the net assets of the associate, less distributions received and less any impairment in value. The Group's income statement reflects its share of the results, after tax, of operations of the associate. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in its Statement of Changes in Equity.

Financial assets

Financial assets are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments in equity shares are measured at their fair value with any gains or losses recognised in income. Their fair value is determined by reference to Stock Exchange quoted market bid prices, where applicable, at the close of business on the balance sheet date. Where no such quoted market prices exist or the fair value cannot be measured reliably the investments are measured at cost.

Inventories

Inventories are valued at the lower of average cost and net realisable value after making allowance for any obsolete or slow moving items. Costs include those incurred in bringing each product to its present location and condition, on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts where a right of set-off exists.

Interest-bearing borrowings

All borrowings are initially recognised at fair value less directly attributable transaction costs. Borrowing costs are recognised as an expense when incurred.

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Derivative financial instruments

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. From 1 January 2005 the forward contracts are initially recognised at fair value on the date that the contract is entered into and are subsequently re-measured at fair value at each reporting date. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Forward contracts are recorded as assets when the fair value is positive and as liabilities when the fair value is negative.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in fair value on forward contracts that do not qualify for hedge accounting are taken directly to the income statement.

Foreign currency translation

The Group's functional and presentation currency is Pounds Sterling (£). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction.

The functional currency of the overseas subsidiaries is Euro (€). As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. Since 1 January 2004, the date of transition to IFRS, exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation shall be recognised in the income statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charge to equity. Otherwise income tax is recognised in the income statement.

VAT

Revenues, expenses and assets are recognised net of the amount of VAT except:

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- trade receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognised:

Product

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods.

Technology Solutions

Revenue is recognised when receivable under a contract following delivery of a service.

Support and Managed Services

Contracted Managed Services revenue is recognised over the contract period on a straight-line basis, which represents the level of completion of an individual contract. The unrecognised contracted revenue is included as deferred income in the balance sheet. Amounts invoiced relating to more than one period are deferred and recognised over their relevant life.

Interest income

Revenue is recognised as interest accrues.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term.

Pensions and other post-employment benefits

The Group operates a defined contribution scheme available to all UK employees. Contributions are recognised as an expense in the income statement as they become payable in accordance with the rules of the scheme. There are no material pension schemes within the Group's overseas operations.

Employee benefits

In accordance with IAS 19, the Group provides for accumulating absences. The cost is measured as the additional amount that the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Share-based payment transactions

Employees (including Executive Directors) of the Group can receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model, further details of which are given in note 25. In valuing equity-settled transactions, no account is taken of any performance conditions as none of the conditions set are market-related ones.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and Directors' best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. As the schemes do not include any market-related performance conditions, no expense is recognised for awards that do not ultimately vest.

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date
IFRS 1 Amendment relating to IFRS 6	1 January 2006
IFRS 4 Insurance Contracts (Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts)	1 January 2006
IFRS 6 Exploration for and Evaluation of Mineral Assets	1 January 2006
IFRS 6 Amendment relating to IFRS 6	1 January 2006
IFRS 7 Financial Instruments: Disclosures	1 January 2007
IAS 1 Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
IAS 39 Fair value option	1 January 2006
IAS 39 Amendments to IAS 39 – Transition and initial recognition of financial assets and financial liabilities (Day 1 profits)	1 January 2006
IAS 39 Cash Flow Hedge Accounting	1 January 2006
IAS 39 Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts	1 January 2006
International Financial Reporting Interpretations Committee (IFRIC)	Effective date
IFRIC 4 Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 December 2005

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 9).

The Group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity (see note 24).

The Group has taken advantage of the transitional provisions of IFRS 2 in respect of equity-settled awards and has applied IFRS 2 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 1 January 2005.

Own shares held

Computacenter plc shares held by the Group are classified in shareholders' equity as own shares held and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to revenue reserves. No gain or loss is recognised in the performance statements on the purchase, sale, issue or cancellation of equity shares.

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

3 Segmental analysis

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.

Each geographical business contains the following three business segments:

- the Product segment supplies computer hardware and software to large and medium corporate and government customers, and to other distributors;
- the Technology Solutions segment provides technical and project management skills to enable customers in the corporate and government sectors to implement and integrate new technologies into their infrastructures;
- the Support and Managed Services segment provides an outsourcing service for specific areas of infrastructure management to customers in the corporate and government sectors.

The sale of goods is reported in the Product segment. The rendering of services is reported in the Technology Solutions and Support and Managed Services segments. Transfer prices between geographical segments are set on an arm's length basis in a manner similar to transactions with third parties. The impact of inter-segment sales on operating profit by segment is not significant.

Geographical segments

The following tables present revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 31 December 2005 and 2004.

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
Year ended 31 December 2005					
Revenue					
Sales to external customers	1,351,307	618,238	295,784	19,880	2,285,209
Inter-segment sales	8,401	24,604	293	3,539	36,837
Segment revenue	1,359,708	642,842	296,077	23,419	2,322,046
Result					
Gross profit	169,876	87,709	28,941	2,302	288,828
Distribution costs	(11,315)	(5,160)	(3,360)	(93)	(19,928)
Administration expenses	(126,482)	(77,548)	(34,894)	(2,318)	(241,242)
Operating profit	32,079	5,001	(9,313)	(109)	27,658
Net finance income	8,055	(553)	(1,347)	(30)	6,125
Share of associate's profit	–	229	–	–	229
Profit before tax	40,134	4,677	(10,660)	(139)	34,012
Income tax expense	–	–	–	–	(13,579)
Profit for the year from continuing operations					20,433
Assets and liabilities					
Segment assets	569,043	136,784	100,880	1,582	808,289
Investment in an associate	–	288	–	–	288
Total assets	569,043	137,072	100,880	1,582	808,577
Segment liabilities	233,129	116,895	123,952	3,927	477,903
Total liabilities	233,129	116,895	123,952	3,927	477,903
Other segment information					
Capital expenditure:					
Property, plant and equipment	6,138	1,020	555	124	7,837
Intangible fixed assets	3,083	284	18	–	3,385
Depreciation	11,570	2,981	882	102	15,535
Amortisation	1,093	295	358	38	1,784

3 Segmental analysis continued

	Continuing operations					Discontinued operation Austria £'000	Total £'000
	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000		
Year ended 31 December 2004							
Revenue							
Sales to external customers	1,433,685	655,501	300,380	21,024	2,410,590	45,162	2,455,752
Inter-segment sales	6,923	2,116	202	1,012	10,253	116	10,369
Segment revenue	1,440,608	657,617	300,582	22,036	2,420,843	45,278	2,466,121
Result							
Gross profit	205,657	90,479	31,771	2,291	330,198	5,203	335,401
Distribution costs	(12,134)	(5,032)	(3,353)	(107)	(20,626)	(133)	(20,759)
Administration expenses	(129,678)	(76,448)	(35,100)	(2,168)	(243,394)	(6,617)	(250,011)
Operating profit	63,845	8,999	(6,682)	16	66,178	(1,547)	64,631
Net finance income	5,106	(1,239)	(2,086)	(71)	1,710	(19)	1,691
Share of joint venture's loss	(226)	–	–	–	(226)	–	(226)
Share of associate's profit	–	266	–	–	266	–	266
Profit before tax from continuing operations	68,725	8,026	(8,768)	(55)	67,928	(1,566)	66,362
Provision for loss on disposal of discontinued operation	–	–	–	–	–	(2,356)	(2,356)
Profit before tax	68,725	8,026	(8,768)	(55)	67,928	(3,922)	64,006
Income tax expense					(19,639)	(1)	(19,640)
Profit for the year					48,289	(3,923)	44,366
Assets and liabilities							
Segment assets	550,388	188,766	70,131	1,714	810,999	9,208	820,207
Investment in an associate	–	373	–	–	373	–	373
Total assets	550,388	189,139	70,131	1,714	811,372	9,208	820,580
Segment liabilities	232,300	168,685	82,535	4,918	488,438	6,888	495,326
Total liabilities	232,300	168,685	82,535	4,918	488,438	6,888	495,326
Other segment information							
Capital expenditure:							
Property, plant and equipment	7,516	3,061	893	80	11,550	65	11,615
Intangible fixed assets	2,021	386	160	26	2,593	–	2,593
Depreciation	12,383	3,512	860	99	16,854	163	17,017
Amortisation	724	274	363	4	1,365	–	1,365

3 Segmental analysis continued

Business segments

The following tables present revenue and profit information regarding the Group's business segments for the years ended 31 December 2005 and 2004.

	Product £'000	Technology solutions £'000	Support and managed services £'000	Total £'000
Year ended 31 December 2005				
Revenue				
Sales to external customers	1,757,967	114,236	413,006	2,285,209
Inter-segment sales	23,694	3,775	9,368	36,837
Segment revenue	1,781,661	118,011	422,374	2,322,046

	Product £'000	Technology solutions £'000	Support and managed services £'000	Total £'000
Year ended 31 December 2004				
Revenue				
Sales to external customers	1,931,569	115,502	408,681	2,455,752
Less sales attributable to discontinued operation	(36,270)	(5,715)	(3,177)	(45,162)
Revenue from continuing operations	1,895,299	109,787	405,504	2,410,590
Inter-segment sales	5,729	3,382	1,142	10,253
Segment revenue	1,901,028	113,169	406,646	2,420,843

It is not possible to split out assets, liabilities and capital expenditure information by business segments. Assets and liabilities within geographical segments are not allocated to business segments.

4 Group operating profit

This is stated after charging/(crediting):

	2005 £'000	2004 £'000
Auditors' remuneration – audit services – UK	202	172
– audit services – overseas	223	217
– non-audit services – UK*	99	295
– non-audit services – overseas*	6	6
Profit on disposal of listed investment	–	1,603
Depreciation of property, plant and equipment	15,535	16,854
(Profit)/loss on disposal of property, plant and equipment	(85)	756
Amortisation of intangible assets	1,784	1,365
Loss on disposal of intangibles	–	(48)
Total depreciation and amortisation expense	17,234	18,927
Net foreign currency differences	(4)	1,422
Costs of inventories recognised as an expense	1,586,964	1,678,942
Operating lease payments – minimum lease payments	21,579	26,933
– sublease payments	(369)	(523)
Total lease and sub-lease payments recognised as an expense	21,210	26,410

*Non-audit services principally relate to taxation advice.

5 Staff costs and Directors' emoluments

	2005 £'000	2004 £'000
Wages and salaries	339,852	345,502
Social security costs	50,711	55,756
Pension costs	13,152	11,282
	403,715	412,540

Included in wages and salaries is a total credit of share based payments of £392,000 (2004: £898,000 expense), all of which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was made up as follows:

	2005 No.	2004 No.
UK	4,825	4,848
Germany	3,517	3,456
France	1,059	1,135
Benelux	104	104
Continuing operations	9,505	9,543
Discontinued operation	–	222
	9,505	9,765

6 Finance revenue

	2005 £'000	2004 £'000
Bank interest receivable	7,990	4,424
Income from investments	137	823
Total finance income	8,127	5,247

7 Finance costs

	2005 £'000	2004 £'000
Bank loans and overdrafts	1,702	2,710
Other loans	300	827
Total finance costs	2,002	3,537

8 Income tax

a) Tax on profit on ordinary activities

	2005 £'000	2004 £'000
Tax charged in the income statement		
<i>Current income tax</i>		
UK corporation tax	12,872	21,104
Foreign tax	31	4
Adjustments in respect of current income tax of previous years	(202)	(3,249)
Consortium relief	(119)	63
Total current income tax	12,582	17,922
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	997	1,846
Prior year adjustments	–	(129)
Total deferred tax	997	1,717
Tax charge in the income statement	13,579	19,639
<i>The tax charge in the income statement is disclosed as follows</i>		
Income tax expense reported on continuing operations	13,579	19,639
Income tax expense on discontinued operation	–	1
	13,579	19,640
<i>Tax relating to items charged or credited to equity</i>		
<i>Deferred tax</i>		
Relief on share option gains	16	48
Tax credit in the statement of changes in equity	16	48

b) Reconciliation of the total tax charge

	2005 £'000	2004 £'000
Profit from continuing operations before taxation	34,012	67,928
Loss before tax from discontinued operation	–	(3,923)
Accounting profit before income tax	34,012	64,005
At the UK standard rate of corporation tax of 30% (2004: 30%)	10,204	19,202
Expenses not deductible for tax purposes	673	234
Relief on share option gains	–	(5)
Adjustments in respect of current income tax of previous years	(202)	(616)
Adjustment following agreement of certain items for earlier years	–	(2,447)
Higher tax on overseas earnings	1	1
Provision for loss on disposal of overseas subsidiary	–	686
Disposal of investment	–	(569)
Accounting depreciation in excess of tax depreciation	518	80
Other timing differences	(761)	87
Consortium relief	(119)	–
Profit of overseas undertakings not taxable due to brought forward loss offset	(4)	(5)
Losses of overseas undertakings not available for relief	3,269	3,121
Adjustment in respect of deferred tax of earlier years	–	(129)
At effective income tax rate of 39.9% (2004: 30.6%)	13,579	19,640

c) Unrecognised tax losses

The Group has tax losses arising from the results of overseas subsidiaries of £10,813,000 (2004: £9,800,000). Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss making for some time.

8 Income tax continued

d) Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<i>Deferred income tax liabilities</i>				
Accelerated capital allowances	1,339	1,455	(116)	(213)
Revaluations of foreign exchange contracts to fair value	54	–	54	–
Gross deferred income tax liabilities	1,393	1,455		
<i>Deferred income tax assets</i>				
Relief on share option gains	–	53	78	49
Losses available for offset against future taxable income	5,528	1,433	981	1,881
Gross deferred income tax assets	5,528	1,486		
Deferred income tax charge			997	1,717
Net deferred income tax asset	4,135	31		

At 31 December 2005, there was no recognised or unrecognised deferred income tax liability (2004: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associate or joint venture, as the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

9 Earnings per ordinary share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year adjusted for the effect of dilutive options.

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

	2005 £'000	2004 £'000
Net profit attributable to equity holders from continuing operations	20,406	48,358
Loss attributable to equity holders from discontinued operations	–	(3,923)
Net profit attributable to equity holders of the parent	20,406	44,435
	2005 000's	2004 000's
Basic weighted average number of shares (excluding own shares held)	187,210	186,441
Effect of dilution:		
Share options	658	2,538
Diluted weighted average number of shares	187,868	188,979

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Discontinued operations

Loss per share for 2005 of nil (2004: 2.1p) for the discontinued operation is derived from the net loss attributable to equity holders of the parent from discontinuing operations of £nil (2004: £3,923,000) divided by the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

10 Dividends paid and proposed

	2005 £'000	2004 £'000
<i>Declared and paid during the year:</i>		
Equity dividends on ordinary shares:		
Final dividend for 2004: 5.2p (2003: 5.0p)	9,735	9,236
Interim dividend for 2005: 2.5p (2004: 2.3p)	4,590	4,316
	14,325	13,552
<i>Proposed for approval at AGM (not recognised as a liability as at 31 December)</i>		
Equity dividends on ordinary shares:		
Final dividend for 2005: 5.0p (2004: 5.2p)	9,400	9,735

11 Property, plant and equipment

	Land and buildings £'000	Short leasehold improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
Cost				
At 1 January 2004	66,962	20,133	86,245	173,340
Additions	998	993	9,624	11,615
Disposals	(1,392)	(6,266)	(12,504)	(20,162)
Discontinued operation	–	(568)	(1,922)	(2,490)
Foreign currency adjustment	–	80	155	235
At 31 December 2004	66,568	14,372	81,598	162,538
Additions	–	1,211	6,626	7,837
Disposals	(265)	(1,013)	(11,534)	(12,812)
Foreign currency adjustment	–	(553)	(1,052)	(1,605)
At 31 December 2005	66,303	14,017	75,638	155,958
Depreciation				
At 1 January 2004	9,990	9,219	56,214	75,423
Provided during the year	3,043	2,615	11,196	16,854
Disposals	(195)	(5,993)	(11,747)	(17,935)
Discontinued operation	–	(466)	(1,675)	(2,141)
Foreign currency adjustment	–	116	307	423
At 31 December 2004	12,838	5,491	54,295	72,624
Provided during the year	2,977	2,332	10,226	15,535
Disposals	(266)	(967)	(11,373)	(12,606)
Foreign currency adjustment	–	(338)	(858)	(1,196)
At 31 December 2005	15,549	6,518	52,290	74,357
Net book value				
At 31 December 2005	50,754	7,499	23,348	81,601
At 31 December 2004	53,730	8,881	27,303	89,914
At 1 January 2004	56,972	10,914	30,031	97,917

11 Property, plant and equipment continued

Included in the figures above are the following amounts relating to leased assets:

	Fixtures, fittings, equipment and vehicles	
	2005 £'000	2004 £'000
Cost		
At 1 January	206	1,164
Additions	772	206
Disposals	–	(1,164)
At 31 December	978	206
Accumulated depreciation and impairment		
At 1 January	51	732
Charge for year	326	272
Disposals	–	(953)
At 31 December	377	51
Net carrying amount	601	155

12 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
Cost			
At 1 January 2004	4,755	9,813	14,568
Additions	–	2,593	2,593
Disposals	–	(1,722)	(1,722)
Discontinued operation	–	(327)	(327)
Foreign currency adjustment	–	(10)	(10)
At 31 December 2004	4,755	10,347	15,102
Additions	–	3,385	3,385
Disposals	–	(1,607)	(1,607)
Foreign currency adjustment	–	(64)	(64)
At 31 December 2005	4,755	12,061	16,816
Amortisation			
At 1 January 2004	–	7,561	7,561
Charged during the year	–	1,366	1,366
Disposals	–	(1,485)	(1,485)
Discontinued operation	–	(297)	(297)
Foreign currency adjustment	–	34	34
At 31 December 2004	–	7,179	7,179
Charged during the year	–	1,784	1,784
Disposals	–	(1,607)	(1,607)
Foreign currency adjustment	–	(33)	(33)
At 31 December 2005	–	7,323	7,323
Net book value			
At 31 December 2005	4,755	4,738	9,493
At 31 December 2004	4,755	3,168	7,923
At 1 January 2004	4,755	2,252	7,007

13 Impairment testing of indefinite lived goodwill

Goodwill acquired through business combinations has been allocated to the cash-generating units Computacenter (UK) Limited and RD Trading Limited for impairment testing. These are the lowest level of cash-generating units that can be reliably and separately identified.

No impairment provision has been required.

The recoverable amounts of Computacenter (UK) Limited and RD Trading Limited have been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 8.0% (2004: 8.0%).

	2005 £'000	2004 £'000
Carrying amount of goodwill		
Computacenter (UK) Ltd	3,920	3,920
RD Trading Limited	835	835
	4,755	4,755

Key assumptions used in value in use calculation for both Computacenter (UK) Limited and RD Trading Limited for 31 December 2005 and 31 December 2004 are:

- budgeted revenue – the basis used to determine the value assigned to the budgeted revenue is long-run market growth forecasts;
- budgeted gross margins – the basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends.

14 Investments

	2005 £'000	2004 £'000
Investment in associate	288	373

a) Investment in associate

The Group has a 49% (2004: 49%) interest in HelpByCom GmbH, whose principal activity is the provision of international call centre services. HelpByCom GmbH is a private entity that is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment. The reporting date and reporting year of HelpByCom GmbH is identical to that of the Group i.e. 31 December.

The following table illustrates summarised information of the investment in HelpByCom GmbH:

	2005 £'000	2004 £'000
Share of associate's balance sheet		
Non-current assets	83	108
Current assets	585	671
Share of gross assets	668	779
Current liabilities	380	146
Non-current liabilities	–	260
Share of gross liabilities	380	406
Share of net assets	288	373
Share of associate's revenue and profit		
Revenue	2,119	3,322
Profit	229	266
Carrying amount of investment	288	373

14 Investments continued

b) Interest in a joint venture

As at 31 December 2004 the Group had a 41.7% interest in Biomni Limited, whose principal activity is software development in the UK. During 2005 the Group's holding in this company was, following the issue of new shares by Biomni, diluted to 3.8%. As the Group's net investment in its joint venture was nil at 31 December 2004, no further gains or losses resulting from the dilution have been recognised in 2005. As a result of the dilution the Group no longer retains significant influence in the joint venture and it is now held as a fixed asset investment at its fair value of nil. Further information is given in note 28.

c) Investment in subsidiaries

Details of the investments in subsidiaries which the Group holds 20% or more of the nominal value of ordinary share capital are as follows:

Name	Country of incorporation	Nature of business	2005	% equity interest 2004
Computacenter (UK) Limited	England	IT Infrastructure services	100%	100%
Computacenter France SA	France	IT Infrastructure services	100%	99.40%
Computacenter Holding GmbH	Germany	IT Infrastructure services	100%	100%
Computacenter GmbH	Germany	IT Infrastructure services	100%	100%
CC Managed Services GmbH	Germany	IT Infrastructure services	100%	100%
Computacenter NV/SA	Belgium	IT Infrastructure services	100%	100%
RD Trading Limited	England	IT Asset Management	100%*	100%*
Computacenter PSF SA	Luxembourg	IT Infrastructure services	100%	100%
Computacenter Solutions SA	Luxembourg	IT Infrastructure services	100%**	–
ICG Services Limited	England	International IT Infrastructure services	100%	100%

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

** Includes indirect holdings of 99% via Computacenter PSF SA.

Computacenter plc is the ultimate parent entity of the Group.

15 Business combinations

Further to the German and Austrian acquisition update contained in note 14 of the 2004 Annual Report and Accounts and the outcome of the work of the independent Expert, PricewaterhouseCoopers, the Group has now resolved the tax assets claim noted as a contingent liability in its 2004 Report and Accounts.

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. Following an arbitration hearing, Computacenter reached an agreement with the vendor under which the vendor's claim has been withdrawn and Computacenter purchased 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 was included as a receivable in trade and other receivables at 31 December 2004; the net result of this agreement is that Computacenter received €40,000,00 (£26,918,000). The upfront purchase of the tax assets has resulted in a deferred tax asset on the Group balance sheet. The resolution of this claim has had no impact in the year on the income statement.

Disposal of subsidiary

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

At 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, details of which are given in note 3.

The net assets of Computacenter Austria, which included cash of £964,000, were disposed for consideration of £712,000.

16 Inventories

	2005 £'000	2004 £'000
Total inventories at lower of cost and net realisable value	100,233	118,914

17 Trade and other receivables

	2005 £'000	2004 £'000
Trade receivables factored without recourse		
– Gross debts	381,645	398,620
– Less non-returnable proceeds	–	(39,043)
	381,645	359,577
Amount due from associate	25	25
Other debtors	1,297	39,802
Other related parties	3	5
	382,970	399,409

For terms and conditions relating to related party receivables, refer to note 28.

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

Trade debts factored without recourse represent a proportion of the debts of the Group's French subsidiary. Under the terms of the arrangement certain trade debts are sold to the factor who in turn advances cash payments in relation to these debts. The Group is not obliged (and does not intend to) support any losses arising from the assigned debts against which the cash has been advanced. In the event of default in payment of a debtor, the providers of finance seek repayment of cash advanced only from the remainder of the cash pool of debts in which they hold an interest; repayment is not required from the Group in any other way.

The interest expense in relation to this arrangement was £710,000 (2004: £1,266,000) and the administration expenses of the scheme were £286,000 (2004: £478,000).

18 Cash and short-term deposits

	2005 £'000	2004 £'000
Cash at bank and in hand	164,797	98,218
Short-term deposits	–	40,000
	164,797	138,218

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £164,797,000 (2004: £138,218,000).

At 31 December 2005, the Group had available £81,942,000 (2004: £58,894,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

	2005 £'000	2004 £'000
Cash at bank and in hand	164,797	98,218
Short-term deposits	–	40,000
Bank overdrafts (note 20)	(31,886)	(58,637)
	132,911	79,581
Cash at bank and in hand attributable to discontinued operation	–	964
	132,911	80,545

19 Trade and other payables

	2005 £'000	2004 £'000
Trade payables	197,141	175,686
Amounts due to associate	79	490
Other payables	118,736	130,788
Other related parties	41	–
	315,997	306,964

Terms and conditions of the above financial liabilities:

For terms and conditions relating to related parties, refer to note 28.

Trade payables are non-interest bearing and are normally settled on net monthly terms.

Other payables, which principally relate to other taxes, social security costs and accruals, are non-interest bearing and have an average term of three to six months.

Interest payable is normally settled quarterly throughout the financial year.

20 Financial liabilities

	2005 £'000	2004 £'000
Current		
Bank loans	326	–
Bank overdrafts	31,886	58,637
Factor financing	31,542	–
Current obligations under finance leases (note 21)	377	69
	64,131	58,706
Non-current		
Bank loans	–	326
Obligations under finance leases (note 21)	275	103
	275	429

Bank loan

The bank loan comprises an amount of £326,000 relating to the Executive Share Option Scheme. The loan bears interest at LIBOR +1.56% and is renewable on an annual basis.

Bank overdrafts

The bank overdrafts are unsecured and are subject to regular review.

Finance leases

The finance leases are only secured on the assets that they finance.

Factor financing

Details are given in note 17.

21 Obligations under leases

a) Finance lease commitments

The Group has finance leases for various items of plant and machinery, these leases have no terms of renewal or purchase options and escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2005 Minimum payments £'000	2004 Present value of payments £'000	2005 Minimum payments £'000	2004 Present value of payments £'000
Within one year	377	365	69	69
After one year but not more than five years	275	262	103	103
Present value of minimum lease payments	652	627	172	172

21 Obligations under leases continued

b) Operating lease commitments where the Group is lessee

The Group has entered into commercial leases on certain properties, motor vehicles and items of small machinery. There are no restrictions placed upon the Group by entering into these leases.

Future commitments payable under non-cancellable operating leases as at 31 December are as follows:

	2005 £'000	2004 £'000
Not later than one year	35,920	34,766
After one year but not more than five years	53,524	53,108
More than five years	28,810	25,018
	118,254	112,892

22 Provisions

	Property provisions £'000	Deferred tax £'000	Total £'000
At 1 January 2005	17,591	1,455	19,046
Arising during the year	1,012	–	1,012
Utilised	(2,190)	(62)	(2,252)
Movement in discount rate	75	–	75
Exchange adjustment	(291)	–	(291)
At 31 December 2005	16,197	1,393	17,590
<i>Current 2005</i>	2,190	–	2,190
<i>Non-current 2005</i>	14,007	1,393	15,400
	16,197	1,393	17,590
<i>Current 2004</i>	2,358	–	2,358
<i>Non-current 2004</i>	15,233	1,455	16,688
	17,591	1,455	19,046

Property provisions

Assumptions used to calculate the property provisions are based on the market value of the rental charges and the Directors' best estimates of the likely time before the relevant leases can be reassigned, which ranges between one year and 11 years. The provisions in relation to the UK properties are discounted at a rate based upon the Bank of England base rate. Those in respect of the European operations are discounted at a rate based on Euribor.

23 Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the Finance Director's Review on pages 12 to 15.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

	Functional currency	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Year ended 31 December 2005								
<i>Fixed rate</i>								
Finance leases	Sterling	(257)	(258)	–	–	–	–	(515)
<i>Floating rate</i>								
Cash and short term deposits	Sterling	156,856	–	–	–	–	–	156,856
Cash and short term deposits	Dollar	1,794	–	–	–	–	–	1,794
Cash and short term deposits	Euro	5,994	–	–	–	–	–	5,994
		164,644	–	–	–	–	–	164,644
Forward currency contracts	Euro/Dollar	191	–	–	–	–	–	191
Bank loan	Sterling	(326)	–	–	–	–	–	(326)
Bank overdraft	Euro	(31,886)	–	–	–	–	–	(31,886)
Factor financing	Euro	(31,542)	–	–	–	–	–	(31,542)
Property provisions	Sterling/Euro	(2,329)	(1,439)	(1,397)	(1,599)	(1,633)	(7,800)	(16,197)
<i>Interest free</i>								
Cash and short term deposits	Sterling	54	–	–	–	–	–	54
Cash and short term deposits	Euro	49	–	–	–	–	–	49
		103	–	–	–	–	–	103
Finance leases	Sterling	(120)	(17)	–	–	–	–	(137)
Other non-current liabilities	Sterling	–	(371)	–	–	–	–	(371)

	Functional currency	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	More than 5 years £'000	Total £'000
Year ended 31 December 2004								
<i>Floating rate</i>								
Cash and short term deposits	Sterling	136,419	–	–	–	–	–	136,419
Cash and short term deposits	Dollar	153	–	–	–	–	–	153
Cash and short term deposits	Euro	1,305	–	–	–	–	–	1,305
		137,877	–	–	–	–	–	137,877
Bank loan	Sterling	–	(326)	–	–	–	–	(326)
Bank overdraft	Euro	(58,637)	–	–	–	–	–	(58,637)
Property provisions	Sterling/Euro	(2,358)	(1,941)	(1,587)	(1,587)	(1,562)	(8,556)	(17,591)
<i>Interest free</i>								
Cash and short term deposits	Sterling	52	–	–	–	–	–	52
Cash and short term deposits	Dollar	99	–	–	–	–	–	99
Cash and short term deposits	Euro	190	–	–	–	–	–	190
		341	–	–	–	–	–	341
Finance leases	Sterling	(86)	(69)	(17)	–	–	–	(172)
Other non-current liabilities	Euro	–	(2,691)	–	–	–	–	(2,691)

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

23 Financial instruments continued

The sterling floating rate assets and liabilities are based on the three month LIBOR rate. The euro floating rate assets and liabilities are based on the overnight Euribor rate.

Credit risk

There are no significant concentrations of credit risk within the Group.

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements.

	Carrying amount		Fair value	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<i>Financial assets</i>				
Forward currency contracts	191	–	191	–
Cash	164,797	138,218	164,797	138,218
Trade receivables	381,645	359,577	381,645	359,577
<i>Financial liabilities</i>				
Bank overdraft	(31,886)	(58,637)	(31,886)	(58,637)
Factor financing	(31,542)	–	(31,542)	–
Trade and other payables	(315,997)	(306,964)	(315,997)	(306,964)
Property provisions	(16,197)	(17,591)	(16,197)	(17,591)
Other non-current liabilities	(371)	(2,691)	(371)	(2,691)
Obligations under finance leases	(652)	(172)	(652)	(172)
Floating rate borrowings	(326)	(326)	(326)	(326)

Hedging activities – fair value hedges

31 December 2005

At 31 December 2005, the Group held five foreign exchange contracts designated as hedges of an inter-company loan and future expected payments to suppliers. The exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are as follows:

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract Rates
UK					
	Euros	Sterling	€14,291,699	Jan-Sept 2006	1.437 – 1.641
Germany					
	Dollars	Euros	\$3,300,000	Jan 2006	1.191 – 1.200

31 December 2004

The Group took advantage of the transitional provisions of IAS 32 and IAS 39 and has adopted these standards from 1 January 2005. The comparative information for 2004 has not been restated from UK GAAP to IFRS. Under UK GAAP the fair value of the foreign currency forward contracts has not been recognised, and the receivable has been recorded at the contract rate.

The terms of the outstanding contracts, as at 31 December 2004, were as follows:

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract Rates
UK					
	Euros	Sterling	€60,662,000	April 2005	1.452 – 1.484
	Dollars	Sterling	\$2,300,000	Jan 2005	1.921 – 1.945
	Sterling	Dollars	£363,278	Jan 2005	1.927 – 1.927
Germany					
	Dollars	Euros	\$5,125,000	Jan 2005	1.328 – 1.361
France					
	Dollars	Euros	\$1,400,000	Feb 2005	1.230 – 1.230

24 Authorised and issued capital and reserves

<i>Authorised</i>	2005 £'000	2004 £'000
Ordinary shares of 5p each	25,000	25,000

Ordinary shares *Issued and fully paid*

	No. 000's	£'000
At 1 January 2004	188,822	9,441
Issued during the year for cash on exercise of share options	968	48
At 1 January 2005	189,790	9,489
Issued during the year for cash on exercise of share options	317	16
At 31 December 2005	190,107	9,505

The Company has two share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (note 25).

Share premium

	£'000
At 1 January 2004	71,486
Shares issued	2,434
At 31 December 2004	73,920
Shares issued	760
At 31 December 2005	74,680

The share premium account is used to record the aggregate amount or value of premiums paid when the company's shares are issued at a premium.

Capital redemption reserve

The capital redemption reserve is used to maintain the Company's capital following the purchase and cancellation of its own shares.

Own shares held

The investment in own shares comprises the following:

i) Computacenter Employee Share Ownership Plan

Shares in the parent undertaking comprise 1,427,042 (2004: 1,427,042) 5p ordinary shares of Computacenter plc purchased 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. Options 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 dependent upon the trustee holding them on the employees' 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, the 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.

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

The Plan Trustees have waived the dividends payable in respect of 1,427,042 shares that it owns which are all unallocated shares.

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

The total shares held are 780,966 (2004: 927,640). All of these shares will continue to be held by the QUEST until such time as the Sharesave options granted against them are exercised. The market value of these shares at 31 December 2005 was £1,991,000. The QUEST Trustees have waived dividends in respect of all of these shares. During the year the QUEST used the proceeds from UK Sharesave option exercises to subscribe for 281,436 new 5p ordinary shares.

24 Authorised and issued capital and reserves continued

iii) Computacenter Trustees Limited

During the year no new awards of share allocations were made under the Computacenter Bonus Plus Share Plan. As at the year-end date the total number of shares held by Computacenter Trustees Limited was 457,841 (2004: 457,841), all of which are unallocated shares. Dividends are waived in respect of unallocated shares.

Foreign currency translation reserve

	£'000
At 1 January 2004	–
Currency translation differences	(911)
At 31 December 2004	(911)
Currency translation differences	(846)
At 31 December 2005	(1,757)

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. Differences arising prior to the transition to IFRS (i.e. 1 January 2004) have not been recognised under the provisions of IFRS 1.

25 Share-based payments

Executive share option scheme

During the year, options were exercised with respect to 28,600 (2004: 119,000) 5p ordinary shares at a nominal value of £1,430 (2004: £5,950) and at an aggregate premium of £54,980 (2004: £311,050).

Under the Computacenter Employee Share Option Scheme 1998 and the Computacenter Services Group Executive Share Scheme, options in respect of 656,303 shares lapsed and no new options were granted.

The numbers of shares under options outstanding at the year-end comprise:

Date of grant	Exercisable between	Exercise price	2005 Number outstanding	2004 Number outstanding
09.04.1996	09.04.1999 – 08.04.2006	41.25p	150,000	150,000
31.07.1997	31.07.2000 – 30.07.2007	160.00p	516,100	539,700
16.03.1998	16.03.2001 – 15.03.2008	300.00p	398,900	427,400
01.04.1999	01.04.2002 – 31.03.2009	565.00p	88,144	115,578
05.05.1999	05.05.2002 – 04.05.2009	565.00p	203,696	244,400
24.08.1999	24.08.2002 – 23.08.2009	565.00p	8,849	8,849
24.08.1999	24.08.2003 – 23.08.2009	565.00p	13,724	13,724
27.09.2000	27.09.2003 – 26.09.2010	380.00p	864,806	997,139
27.09.2000	27.09.2004 – 26.09.2010	380.00p	223,332	256,665
27.09.2000	27.09.2005 – 26.09.2010	380.00p	223,332	256,665
20.03.2001	20.03.2004 – 19.03.2011	333.50p	158,995	158,995
20.03.2001	20.03.2005 – 19.03.2011	333.50p	150,000	150,000
20.03.2001	20.03.2006 – 19.03.2011	333.50p	200,000	200,000
19.09.2001	19.09.2004 – 18.09.2011	245.00p	100,000	100,000
19.09.2001	19.09.2005 – 18.09.2011	245.00p	50,000	50,000
19.09.2001	19.09.2006 – 18.09.2011	245.00p	50,000	50,000
10.04.2002	10.04.2005 – 09.04.2012	322.00p	720,816	852,482
10.04.2002	10.04.2005 – 09.04.2012	331.00p	60,000	66,000
11.10.2002	11.10.2005 – 10.10.2012	220.00p	85,000	85,000
21.03.2003	21.03.2006 – 20.03.2013	266.50p	1,133,000	1,261,000
02.04.2004	02.04.2007 – 01.04.2014	424.00p	1,136,000	1,236,000
14.10.2004	14.10.2007 – 13.10.2014	311.50p	64,205	64,205
			6,598,899	7,283,802

25 Share-based payments continued

Computacenter Performance Related Share Option Scheme

Under the Computacenter Performance Related Share Option scheme, options granted will be subject to certain performance conditions as described in the Directors' Remuneration Report.

No options were granted during the course of the year.

At 31 December 2005 the number of shares under outstanding options were as follows:

Date of grant	Exercisable between	Exercise price	2005 Number outstanding	2004 Number outstanding
20.03.2001	20.03.2004 – 19.03.2011	333.50p	84,708	84,708
10.04.2002	10.04.2005 – 09.04.2012	322.00p	280,666	280,666
21.03.2003	21.03.2006 – 20.03.2013	266.50p	433,863	433,863
21.03.2003	21.03.2007 – 20.03.2013	266.50p	200,000	200,000
02.04.2004	02.04.2007 – 01.04.2014	424.00p	283,017	283,017
			1,282,254	1,282,254

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options for the Executive Share Option Scheme and the Performance Related Share Option Scheme.

	2005 No.	2005 WAEP	2004 No.	2004 WAEP
<i>Executive share option scheme</i>				
Outstanding at the beginning of the year ¹	7,283,802	£3.30	6,315,597	£3.14
Granted during the year	–	–	1,324,205	£4.19
Forfeited during the year	(656,303)	£3.68	(237,000)	£3.99
Exercised during the year	(28,600)	£1.97 ³	(119,000)	£2.66 ²
Outstanding at the end of the year	6,598,899	£3.30	7,283,802	£3.30
Exercisable at the end of the year	4,015,694	£3.22	2,726,546	£3.22

Notes

¹ Included within this balance are options over 4,266,000 (2004: 4,723,000) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

² The weighted average share price at the date of exercise for the options exercised is £4.25.

³ The weighted average share price at the date of exercise for the options exercised is £3.00.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2005 is 5.5 years (2004: 6.5 years).

	2005 No.	2005 WAEP	2004 No.	2004 WAEP
<i>Computacenter performance related share option scheme</i>				
Outstanding at the beginning of the year ¹	1,282,254	£3.18	999,237	£2.88
Granted during the year	–	–	283,017	£4.24
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	1,282,254	£3.18	1,282,254	£3.18
Exercisable at the end of the year	365,374	£3.25	84,708	£3.34

Notes

¹ Included within this balance are options over 365,000 (2004: 365,000) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2005 is 7.1 years (2004: 8.1 years).

25 Share-based payments continued

Computacenter Sharesave Scheme

The Company operates a 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. All options granted to UK employees under this scheme are satisfied at exercise by way of a transfer of shares from the Computacenter Qualifying Employee Share Trust. In the case of options granted to employees based overseas, all option exercises are satisfied by new share issues. During 2005, options over 7,893 shares were exercised by overseas employees and satisfied by new issue shares. The fair value of the options that were granted over the period to 31 December 2005 is £14,000 and is recognised as an expense in the income statement for the period (2004: £18,000).

Under the scheme the following options have been granted and are outstanding at the year-end:

Date of grant	Exercisable between	Share price	2005 Number outstanding	2004 Number outstanding
September 1999	01.12.2004 – 31.05.2005	565.00p	–	8,533
September 2000	01.12.2005 – 31.05.2006	435.00p	387	3,101
January 2001	01.02.2006 – 31.07.2006	350.00p	57,102	61,246
October 2001	01.12.2004 – 31.05.2005	185.00p	–	315,689
October 2001	01.12.2006 – 31.05.2007	185.00p	416,394	517,498
October 2002	01.12.2005 – 31.05.2006	220.00p	451,955	631,789
October 2002	01.12.2007 – 31.05.2008	220.00p	410,111	494,160
October 2002	01.12.2007 – 31.05.2008	225.00p	33,578	41,322
October 2003	01.12.2006 – 31.05.2007	395.00p	307,589	468,297
October 2003	01.12.2008 – 31.05.2009	395.00p	158,889	225,833
October 2003	01.12.2008 – 31.05.2009	417.00p	9,165	9,165
October 2004	01.12.2007 – 31.05.2008	335.00p	283,924	595,176
October 2004	01.12.2008 – 31.05.2009	316.00p	12,113	14,956
October 2004	01.12.2009 – 31.05.2010	335.00p	128,934	216,652
October 2005	01.12.2008 – 31.05.2009	222.00p	821,859	–
October 2005	01.12.2010 – 31.05.2011	222.00p	217,941	–
			3,309,941	3,603,417

The following table illustrates the No. and WAEP of share options for the Sharesave scheme.

	2005 No.	2005 WAEP	2004 No.	2004 WAEP
<i>Sharesave Scheme</i>				
Outstanding at the beginning of the year ¹	3,603,417	£5.65	4,338,478	£2.57
Granted during the year	1,039,800	£2.22	826,784	£2.22
Forfeited during the year	(897,273)	£3.28	(609,551)	£3.17
Exercised during the year	(436,003)	£1.93³	(925,294)	£2.08 ²
Outstanding at the end of the year	3,309,941	£5.65	3,603,417	£5.65
Exercisable at the end of the year	452,342	£2.20	324,222	£1.95

Notes

¹ Included within this balance are options over 1,369,527 (2004: 2,073,338) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS.

² The weighted average share price at the date of exercise for the options exercised is £2.94.

³ The weighted average share price at the date of exercise for the options exercised is £2.72.

25 Share-based payments continued

The fair value of the Share Option Scheme and the Performance Related Share Option Scheme plans are estimated as at the date of grant using the Black-Scholes valuation model. The following table gives the assumptions made during the year ended 31 December 2005 and 31 December 2004:

Share options granted to key executives

Nature of the arrangement	Grant of share options	Grant of share options	Grant of share options
Date of grant	02 April 2004	02 April 2004	14 October 2004
Number of instruments granted	1,248,017	295,000	64,205
Exercise price	£4.24	£4.24	£3.12
Share price at date of grant	£4.24	£4.24	£3.12
Contractual life (years)	10	10	10
Vesting conditions	Three years of service and growth in EPS of RPI plus 5%	Three year service period	Three year service period
Expected volatility	37.80%	37.80%	37.00%
Expected option life at grant date (years)	4.47	4.47	4.49
Risk-free interest rate	4.76%	4.76%	4.63%
Dividend yield	1.65%	1.65%	2.25%
Fair value per granted instrument determined at grant date	£1.42	£1.42	£0.97

Save as you earn scheme

Nature of the arrangement	SAYE scheme	SAYE scheme	SAYE scheme	SAYE scheme	SAYE scheme
Date of grant	29 October 2004	29 October 2004	29 October 2004	28 October 2005	28 October 2005
Number of instruments granted	595,176	216,652	14,956	821,859	217,941
Exercise price	£3.35	£3.35	£3.16	£2.22	£2.22
Share price at date of grant	£3.11	£3.11	£3.11	£2.01	£2.01
Contractual life (years)	3	5	5	3	5
Vesting conditions	Three year service period and savings requirement	Five year service period and savings requirement	Five year service period and savings requirement	Three year service period and savings requirement	Five year service period and savings requirement
Expected volatility	36.30%	36.30%	36.30%	38.30%	38.30%
Expected option life at grant date (years)	3.00	5.00	5.00	3.00	5.00
Risk-free interest rate	4.63%	4.63%	4.63%	4.18%	4.18%
Dividend yield	2.25%	2.25%	2.25%	3.73%	3.73%
Fair value per granted instrument determined at grant date	£0.71	£0.92	£0.97	£0.41	£0.51

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the recent historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options grant were incorporated into the measurement of fair value.

26 Capital commitments

At 31 December 2005 and 31 December 2004, all future contracted Group capital expenditure had been provided for.

27 Pensions and other post-employment benefit plans

The Group has a defined contribution pension plan, covering substantially all of its employees in the UK. The amount recognised as an expense for this plan is detailed in note 5.

28 Related party transactions

During the year the Group entered into transactions, in the ordinary course of business, with related parties. Transactions entered into are as described below:

Biomni 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 £342,000 (2004: £484,000). During the year Biomni issued new shares which were subscribed for by PJ Ogden and PW Hulme. As a result of this, Computacenter's shareholding in Biomni was reduced to 3.8% by the year-end (2004: 41.7%). Both PJ Ogden and PW Hulme are directors of and have a material interest in Biomni Limited. For information regarding outstanding balances at year-end, refer to note 17 and note 19.

During the year, HelpByCom supplied services to the Group in the normal course of business totalling £4,267,000 (2004: £6,932,000). For information regarding outstanding balances at the year-end, refer to note 17 and note 19.

Transactions with other related parties

During the year, the Group supplied goods to Lowkin Limited, a related party, during the normal course of business totalling £nil (2004: £27,000). At 31 December 2005 Lowkin owed the Group £nil (2004: £5,000). Both PJ Ogden and PW Hulme are directors of and have a material interest in Lowkin Limited.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. In all other respects the Group has not recognised any provision for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel (including Directors)

Please refer to the information given in the Directors' Remuneration Report on pages 30 to 33.

29 Transition to IFRS

For all periods up to and including the year ended 31 December 2004, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 December 2005, are the first that the Group is required to prepare in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Accordingly the Group has prepared financial statements which comply with IFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 January 2004, the Group's date of transition to IFRS, and has made those changes in accounting policies and other restatements required by IFRS 1 for the First-time adoption of IFRS. This note explains the principal adjustments made by the Group in restating its UK GAAP balance sheet as at 1 January 2004 and its previously published UK GAAP financial statements for the year ended 31 December 2004.

Summary of IFRS impact

The impact on the profit for the year ended 31 December 2004 is detailed in the table below:

	Year ended 31 December 2004			
	Profit before tax, continuing operations £'000	Income tax expense £'000	Discontinued operation £'000	Profit for the year £'000
UK GAAP	67,287	(19,860)	(2,642)	44,785
<i>Reclassification</i>				
Discontinued operation	1,568	(1)	(1,567)	—
<i>Adjustments</i>				
1a Positive goodwill	282	—	—	282
1b Negative goodwill	(531)	—	—	(531)
2 Share based payment	(898)	222	—	(676)
3 Employee benefits	35	—	—	35
4 Accounting for joint venture	185	—	286	471
Total IFRS adjustments	(927)	222	286	(419)
IFRS	67,928	(19,639)	(3,923)	44,366

29 Transition to IFRS continued

The impact on total equity (and net assets) at 31 December 2004 and 31 December 2003 is shown in the table below:

	2004 £'000	2003 £'000
UK GAAP	(315,138)	(282,883)
<i>Reclassification</i>		
Discontinued operation	–	–
<i>Adjustments</i>		
1a Positive goodwill	(282)	–
1b Negative goodwill	–	(531)
2 Share based payment	(461)	(330)
3 Employee benefits	883	918
4 Accounting for joint venture	(471)	–
5 Proposed dividend	(9,785)	(9,236)
Total IFRS adjustments	(10,116)	(9,179)
IFRS	(325,254)	(292,062)

The adjustments create no material impact on the cash flows of the Group.

Explanatory notes on the impact of IFRS

The notes below explain the impact that the adoption of IFRS has had on the Group's consolidated results.

Discontinued operation

The discontinued operation relates to the results of Computacenter Austria, which, under IFRS, is classified as held for sale as at 31 December 2004. For comparative purposes all figures within the 2004 results, in respect of this operation, have been removed from continuing operations. Under UK GAAP, the relevant amounts were disclosed under discontinued operations in the 2004 year-end accounts only.

Other adjustments

1) IFRS 3 – Business combinations; IAS 36 – Impairment of assets; IAS 38 – Intangible assets

IFRS 3 applies to accounting for business combinations for which the agreement date is on or after 31 March 2004.

The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place prior to 1 January 2004. As a result in the opening balance sheet, positive goodwill arising from previous business combinations remains (£4.8 million) as stated under UK GAAP at 31 December 2003.

The transitional provisions of IFRS 3 have required the Group to carry forward the UK GAAP net book value of positive goodwill as deemed cost under IFRS, and to eliminate the net negative goodwill brought forward under UK GAAP of £531,000 with a corresponding entry in reserves at 1 January 2004.

The adoption of IFRS 3 and IAS 36 has resulted in the Group ceasing annual goodwill amortisation from 1 January 2004. As a result, the UK GAAP amortisation charge of £282,000 and credit of £531,000, for positive and negative goodwill respectively, have been removed from the Group's 2004 IFRS profit for the year.

2) IFRS 2 – Share-based payment

IFRS 2 'Share-based payment' requires an expense to be recognised where the Group buys goods or services in exchange for shares or rights over shares ('equity-settled transactions'), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ('cash-settled transactions'). The main impact of IFRS 2 on the Group is the expensing of employees' and Directors' share options and other share-based incentives by using an option-pricing model.

The effect of the revised policy has decreased consolidated 2004 profit before tax by £898,000 due to an increase in the employee benefits expense with a corresponding increase in equity which is taken to retained earnings. A corresponding deferred tax movement has also been accounted for.

3) IAS 19 – Employee benefits

IAS 19 requires the Group to recognise in full liabilities in relation to employee benefits. As at 1 January 2004, the Group has recognised an additional £918,000 of liabilities for holiday pay and other long-term employee benefits. The corresponding provision as at 31 December 2004 is £883,000, and as a result, there is an increase in the profit for the year of £35,000 for the year ended 31 December 2004.

29 Transition to IFRS continued

This introduces seasonality into the Group's result, because the holiday entitlement of employees is typically higher at 30 June than at 31 December. The additional provision required at 30 June 2004 results in a charge to the half-year income statement of £2,519,000.

4) IAS 31 – Interest in joint venture

Under UK GAAP the Group's interest in its joint venture was accounted under the gross equity method, which is not a recognised approach under IFRS. The Group has therefore changed its method of accounting for the joint venture to equity accounting.

During the second half of 2004 the Group's holding in its joint venture was diluted, and its share of the losses exceeded the Group's net investment. Under UK GAAP the Group was required to continue recognising its share of the losses even though this resulted in a net negative amount in the balance sheet. Under IFRS the Group only recognises its share of the losses up until the point that its net investment is reduced to zero. This has resulted in £185,000 of losses and an exceptional charge of £286,000 in respect of the dilution in the Group's holding, both of which were recognised under UK GAAP, not being recognised under IFRS.

5) IAS 10 – Events after the balance sheet date

In accordance with IAS 10, dividends declared after the balance sheet date are not recognised as a liability in the financial statements as there is no present obligation at the balance sheet date, as defined by IAS 37 – Provisions, contingent liabilities and contingent assets. Accordingly, the final dividends for 2003 of £9,236,000 and 2004 of £9,785,000 (as recognised under previous GAAP) are derecognised in the balance sheets for 31 December 2003 and 31 December 2004. The interim dividend has also been accounted for in this manner.

Other reclassification entries

IAS 38 – Intangible assets

Computer software that is not an integral part of the related hardware is classified as an intangible asset under IFRS, whereas such assets were classified under tangible assets under UK GAAP. Reclassifications of £2,251,000 have been made between tangible and intangible assets at 1 January 2004, £2,077,000 at 30 June 2004 and £3,167,000 at 31 December 2004 accordingly.

IAS 21 – The effects of changes in foreign exchange rates

From 1 January 2004, foreign currency translation differences are pulled into a separate reserve. As stated in note 24, the Group has elected, under the provisions of IFRS 1, to set the historic translation differences on foreign subsidiaries to zero.

Additional changes from 1 January 2005

IAS 32 and 39 – Financial instruments: recognition, measurement and disclosure

The Group has taken advantage of the transitional provisions of IAS 32 and IAS 39 and has not adopted these two standards early. They have been adopted from 1 January 2005. The comparative information for 2004 has not been restated from UK GAAP to IFRS. The restatement of the balance sheet for the adoption of IAS 32 and IAS 39 is shown in note 30.

The most material changes on adoption of these standards were due to non-recourse financing and accounting for foreign currency forward contracts.

Non-recourse financing

For the 2004 comparative numbers, under UK GAAP, the Group adopted a linked presentation of its non-recourse financing, in line with FRS 5 'Reporting the substance of transactions'. Linked presentation is not permitted under IFRS. Application of IFRS to the non-recourse financing scheme in operation throughout 2004 would have resulted in the financing element being accounted for as borrowings. There would have been no impact on the 2004 income statement.

Forward currency contracts

The Group uses forward currency contracts to hedge material risks associated with movements in foreign currency exchange rates. In 2004 the material risk related to a £32,448,000 receivable (in Euros) relating to the purchase of GE CompuNet and GECITS Austria in 2003.

Under UK GAAP the fair value of the foreign currency forward contracts were not recognised, and the receivable was recorded at the contract rate.

Under IFRS, foreign currency forward contracts are recognised at their fair value. The receivable is also recognised at its fair value, and recorded at the spot rate prevailing at the balance sheet date.

If IAS 32 and 39 had been applied from 1 January 2004, there would have been an asset of £75,000 on the opening balance sheet, and a net movement in the income statement in 2004, from measuring both instruments at fair value, of a loss of £286,000 before tax.

30 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:

	IFRS pre restatement for IAS 32 and IAS 39 £'000	Hedging of forward currency contracts £'000	Non-recourse financing £'000	Restated IFRS £'000
Balance sheet at 1 January 2005				
Non-current assets				
Property, plant and equipment	89,914	–	–	89,914
Intangible assets	7,923	–	–	7,923
Investment 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	–
Trade and other receivables	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
Assets held in disposal groups held for sale	9,208	–	–	9,208
Total assets	820,580	1,736	39,043	861,359
Current liabilities				
Trade and other payables	306,964	–	–	306,964
Deferred income	89,083	–	–	89,083
Financial liabilities	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
Non-current liabilities				
Financial liabilities	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
Liabilities included in disposal groups held for sale	6,888	–	–	6,888
Total liabilities	495,326	1,884	39,043	536,253
Net assets	325,254	(148)	–	325,106
Capital and reserves				
Issued capital	9,489	–	–	9,489
Share premium	73,920	–	–	73,920
Capital redemption reserve	100	–	–	100
Own shares held	(2,503)	–	–	(2,503)
Other reserves	(904)	–	–	(904)
Retained earnings	245,113	(148)	–	244,965
Amounts recognised directly in equity relating to disposal groups held for sale	(7)	–	–	(7)
Shareholders' equity	325,208	(148)	–	325,060
Minority interest	46	–	–	46
Total equity	325,254	(148)	–	325,106

30 Restatement of balance sheet and equity at 1 January 2005 for the effects of IAS 32 and IAS 39 continued

The Group has applied hedge accounting under IAS 39 for certain foreign currency exposures. The changes attributable to 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.

We have audited the Parent Company financial statements of Computacenter plc for the year ended 31 December 2005, which comprise the Balance Sheet and the related notes 1 to 12. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Computacenter plc for the year ended 31 December 2005.

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 are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Parent Company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company 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 Parent Company 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 regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises only 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 Parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company'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 Parent Company 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 Parent Company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005; and
- the Parent Company 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

Registered auditor

Luton

13 March 2006

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2005

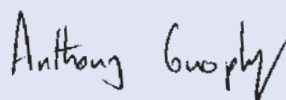
	Note	2005 £'000	Restated 2004 £'000
Fixed assets			
Intangible assets	3	152,721	161,221
Tangible assets	4	33,409	35,025
Investments	5	153,287	155,759
		399,417	352,005
Current assets			
Debtors	6	90,127	124,272
Cash at bank and in hand		54	52
		90,181	124,324
Creditors: Amounts falling due within one year	7	(179,442)	(185,741)
Net current liabilities		(89,261)	(61,417)
Total assets less current liabilities		250,156	290,588
Creditors: amounts falling due after more than one year	8	(71,704)	(80,704)
Provisions for liabilities and charges	9	(1,339)	(1,455)
Net assets		177,113	208,429
Capital and reserves			
Called up share capital	10	9,505	9,489
Share premium account	10	74,680	73,920
Capital redemption reserve	10	100	100
Merger reserve	10	55,990	55,990
Profit and loss account	10	36,838	68,930
Shareholders' funds – equity		177,113	208,429

Approved by the Board on 13 March 2006

MJ Norris
Chief Executive



FA Conophy
Finance Director



1 Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985. The loss after tax for the Company was £17,261,000 (2004: £3,158,000 profit).

In preparing the financial statements for the current year the Company has adopted FRS 20, Share based payments and FRS 21, Events after the balance sheet date. The adoption of these standards has required revision to the financial statements for both the current and prior years as follows:

FRS 20 Share based payments

FRS 20 is mandatory for accounting periods beginning on or after 1 January 2005. The Company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards and has applied FRS 20 only to equity-settled awards granted after 7 November 2002 that had not vested as at 1 January 2005.

The effect of the implementation of this standard is that current year losses after tax have been reduced by £196,000 (2004: £677,000 reduction in profit).

FRS 21 Events after the balance sheet date

In accordance with FRS 21, dividends declared after the balance sheet date are not recognised as a liability in the financial statements as there is no present obligation as at the balance sheet date. Accordingly, the final dividends for 2003 of £9,236,000 and 2004 of £9,785,000 are derecognised in the balance sheets for 31 December 2003 and 31 December 2004 and instead have been recognised in the financial statements for 31 December 2004 and 31 December 2005, respectively.

Licences

Licences purchased in respect of intellectual property are capitalised, classified as an intangible asset on the balance sheet and amortised on a straight-line basis over the period of the license.

Depreciation of 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
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Investments

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

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, except to the extent that such assets or liabilities are covered by forward exchange contracts. In such cases the contracted rates are used. All differences are taken to the profit and loss account.

Share-based payment transactions

Employees (including Executive Directors) of the Group can receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model, further details of which are given in note 25 of the Group's accounts. In valuing equity-settled transactions, no account is taken of any performance conditions, as none of the conditions set are market-related ones.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and Directors' best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. As the schemes do not include any market-related performance conditions, no expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The Group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity (see note 24 of the Group's accounts).

The Group has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards, and has applied FRS 20 only to equity-settled awards granted after 7 November 2002 that had not vested on or before 1 January 2005.

Taxation

Corporation Tax payable is provided on taxable profits at the current tax rate. Where group relief is surrendered from other subsidiaries in the Group, the Company is required to pay to the surrendering company an amount equal to the loss surrendered multiplied by the current tax rate.

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 exception that 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 periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2 Share based payments

The analysis and disclosures in relation to share based payments is given in the Group's accounts in note 25.

3 Intangible assets

	Intellectual property £'000
Cost	
At 1 January 2005 and 31 December 2005	169,737
Amortisation	
At 1 January 2005	8,516
Charge in the year	8,500
At 31 December 2005	17,016
Net book value	
At 31 December 2005	152,721
At 31 December 2004	161,221

4 Tangible fixed assets

	Freehold land and buildings £'000
Cost	
At 1 January 2005 and 31 December 2005	42,350
Depreciation	
At 1 January 2005	7,325
Charge in the year	1,616
At 31 December 2005	8,941
Net book value	
At 31 December 2005	33,409
At 31 December 2004	35,025

5 Investments

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Shares in investment £'000	Total £'000
Cost				
At 1 January 2005	175,375	17,356	25	192,756
Additions	20,999	109	–	21,108
Disposals	(2,318)	–	–	(2,318)
Repaid	–	(7,548)	–	(7,548)
At 31 December 2005	194,056	9,917	25	203,998
Amounts provided				
At 1 January 2005	34,243	2,754	–	36,997
During the year	16,007	–	25	16,032
Disposal	(2,318)	–	–	(2,318)
At 31 December 2005	47,932	2,754	25	50,711
Net book value				
At 31 December 2005	146,124	7,163	–	153,287
At 31 December 2004	141,132	14,602	25	155,759

Details of the principal investments at 31 December in which the Company holds more than 20% of the nominal value of ordinary share capital is given in the Group accounts in note 14.

6 Debtors

	2005 £'000	2004 £'000
Amount owed by subsidiary undertaking	90,000	90,000
Other debtors	127	34,219
Deferred tax	–	53
	90,127	124,272

7 Creditors: amounts falling due within one year

	2005 £'000	Restated 2004 £'000
Corporation tax	(600)	700
Amount owed to subsidiary undertaking	179,580	184,894
Accruals	462	147
	179,442	185,741

8 Creditors: amounts falling due after more than one year

	2005 £'000	2004 £'000
Deferred income	71,704	80,704

9 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 2005	1,455
Capital allowances in advance of depreciation	(116)
At 31 December 2005	1,339

10 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
At 31 December 2003	9,441	71,486	100	55,990	68,951	205,968
Adoption of FRS 20 and 21	–	–	–	–	9,566	9,566
At 1 January 2004	9,441	71,486	100	55,990	78,517	215,534
Shares issued	48	2,434	–	–	–	2,482
Total recognised gains in the year	–	–	–	–	3,158	3,158
Cost of share based payments	–	–	–	–	807	807
Equity dividends	–	–	–	–	(13,552)	(13,552)
At 31 December 2004	9,489	73,920	100	55,990	68,930	208,429
Shares issued	16	760	–	–	–	776
Total recognised losses in the year	–	–	–	–	(17,261)	(17,261)
Cost of share based payments	–	–	–	–	(366)	(366)
Equity dividends	–	–	–	–	(14,465)	(14,465)
At 31 December 2005	9,505	74,680	100	55,990	36,838	177,113

11 Contingent liabilities

The Company has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding £15,225,000 (2004: £25,093,000).

The Company has given a guarantee in the normal course of business to a customer of a subsidiary undertaking for an amount not exceeding £14,158,000 (2004: £14,569,000).

The Company has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December is £28,144,000 (2004: £32,469,000).

12 Related party transactions

The details in respect of related party transactions are given in the Group's consolidated financial statements in note 28.

GROUP FIVE YEAR FINANCIAL REVIEW
YEAR ENDED 31 DECEMBER

	Prepared under UK GAAP			Prepared under IFRS	
	2001 £m	2002 £m	2003 £m	2004 £m	2005 £m
Revenue	2,093.4	1,926.7	2,481.3	2,410.6	2,285.2
Operating profit from continuing operations	55.1	56.2	65.9	66.2	27.7
Profit before tax	34.9	55.1	65.2	67.9	34.0
Profit for the year from continuing operations	19.1	37.0	46.3	48.3	20.4
Diluted earnings per share (excluding exceptional items)	17.9p	19.3p	24.6p	25.6p	10.9p
Year-end headcount	5,894	6,022	9,716	9,610	9,370

GROUP SUMMARY BALANCE SHEET
YEAR ENDED 31 DECEMBER

	Prepared under UK GAAP			Prepared under IFRS	
	2001 £m	2002 £m	2003 £m	2004 £m	2005 £m
Tangible assets	103.5	96.7	100.6	89.9	81.6
Intangible assets	8.0	0.2	4.2	7.9	9.5
Investments	13.5	12.4	11.0	0.4	0.3
Deferred tax asset	–	–	–	1.5	5.5
Inventories	95.4	95.7	134.1	118.9	100.2
Trade and other receivables	295.8	286.9	442.3	399.4	383.0
Prepayments	–	–	–	55.2	63.5
Forward currency contracts	–	–	–	–	0.2
Cash	109.7	92.1	97.0	138.2	164.8
Assets held in disposal groups held for sale	–	–	–	9.2	–
Current liabilities	(395.7)	(328.5)	(466.8)	(468.6)	(461.9)
Non-current liabilities	(2.0)	(1.6)	(13.9)	(19.8)	(16.0)
Liabilities included in disposal groups held for sale	–	–	–	(6.9)	–
Net assets	228.2	253.9	308.5	325.3	330.7

GROUP FINANCIAL CALENDAR

Annual General Meeting	5 May 2006
Final dividend record date	5 May 2006
Final dividend payment date	30 May 2006
Interim results 2006 date	12 September 2006
Interim dividend record date	22 September 2006
Interim dividend payment date	20 October 2006

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)
Peter Ogden (Non-Executive Director)
Cliff Preddy (Non-Executive Director)

Company Secretary:

Stephen Benade

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