Annual Report and Accounts 2001

Where vision meets know-how

www.computacenter.com

Computacenter

Where vision meets know-how

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

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

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Group at a glance 2001

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

Business activity

Aligned to the business

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

Communications
Including telecommunications, cable, internet and networking.

Retail Finance
Including banks and insurance.

City
Including investment banking, legal and accountancy.

Government
Central and local government.

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

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

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

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

Tailoring solutions

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

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

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

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

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

Coverage

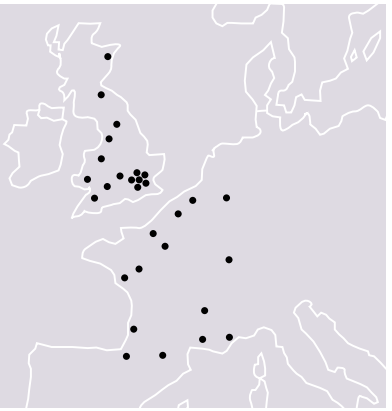
United Kingdom
Aberdeen, Birmingham, Bristol, Cardiff, Edinburgh, Gatwick, Hatfield, Leeds, London, Maidenhead, Manchester, Milton Keynes, Reading, Swindon, Watford

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

Belgium and Luxembourg
Brussels, Luxembourg

ICG
Computacenter is a founding member of the International Computer Group (ICG), a worldwide network of partners in over 100 countries serving customers who require IT products and services deployed internationally.

For more information, visit www.icg-global.com

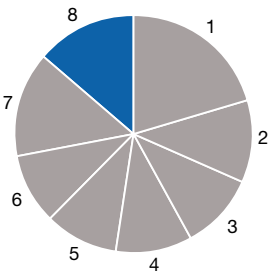


Highlights 2001

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

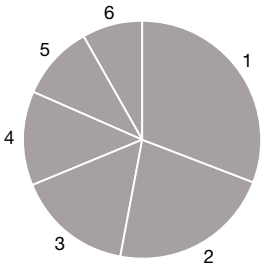
1 Excluding results of overseas associated undertakings and joint ventures.
2 Calculated as profit before tax excluding non-operating exceptional items.
3 Excluding non-operating exceptional items.

Revenue by continuing activity 2001



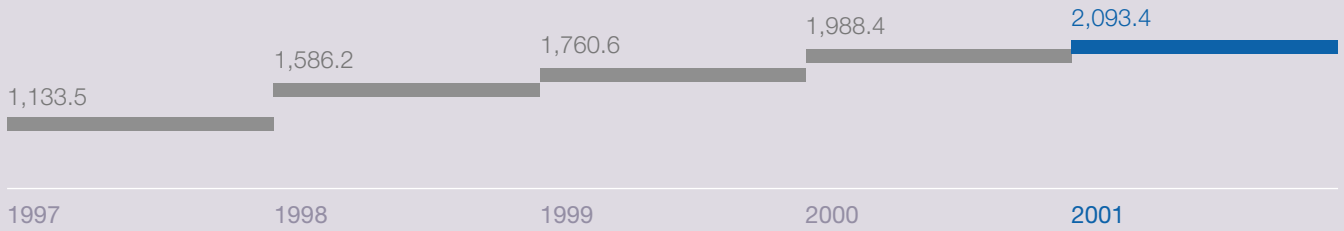
UK sectors		
1	Government	20.4%
2	Communications	11.2%
3	Scotland	10.4%
4	Retail Finance	10.4%
5	City	10.0%
6	Commercial	9.6%
UK trade		
7	UK trade distribution	14.3%
8	Overseas	13.7%

Employees by activity 2001



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

Turnover over 5 years (£millions)



Chairman's statement

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

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

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

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

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

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

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

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

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

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

The migration to our new state-of-the-art Hatfield logistics facility was completed during 2001. Whilst the complex transfer of operations inevitably led to some modest disruption in our supply chain services over the summer months, no major problems were encountered. Hatfield is also the location of our £11 million investment in the new Solutions Centre, a facility to allow our customers to test alternative enterprise infrastructures, which became operational early in 2002.

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

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

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

Our performance in 2001 demonstrates that we have a robust, cash generative business with an increasing proportion of our income arising from the provision of services. We remain cautious about the trading outlook for 2002, as markets remain subdued, making it difficult to forecast the result for the year. We would expect to have a clearer view as the year progresses. However, we continue to work towards delivering an improved performance over 2001, although this does assume some improvement in market conditions later in the year.

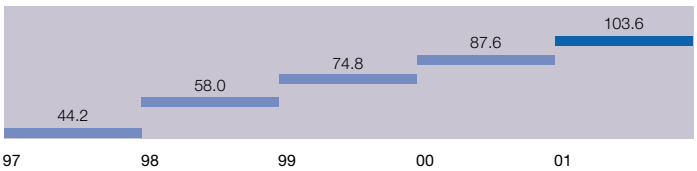
I am pleased to welcome two new non-executives to the Computacenter Board, Nick Cosh and Cliff Preddy. Both were appointed in January 2002, and I am confident that we will benefit greatly from their skills and experience in the years ahead. Adrian Beecroft and Rod Richards have resigned from the Board,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

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

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

Ron Sandler
Chairman

Growth in UK managed services contract base, 1997 year-end to 2001 year-end
£million



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

Chief Executive's review

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

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

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

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

UK

In 2001 we began to see the benefits of the major reorganisation, conducted at the end of 2000 in order to increase our customer focus, improve our operational effectiveness and help us deliver an integrated suite of services tailored to our customers' needs. Partly as a result of these initiatives, 2001 saw higher professional services utilisation rates and a growing managed services contract base. This served to mitigate the decline in product supply revenue, which in the UK fell in the second half of 2001 by 28% compared to the first half.

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

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

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

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

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

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

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

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

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

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

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

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

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

France

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

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

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

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

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

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

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

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

Biomni
The market for e-procurement software in 2001 was difficult. Despite this Biomni, our joint venture with Dealogic (formerly Computasoft e-Commerce), made satisfactory progress, with our share of losses reduced from £3.6 million to £2.2 million. The company grew its revenues by over 73% on the same period last year and continued to build a client base independent of Computacenter, adding over 35 new customers to its B2B e-commerce community. There were significant implementations at several large organisations, including Wincanton and the Foreign and Commonwealth Office.

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

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

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

In December, Computacenter completed the sale of its business interests in Germany to GECITS, which trades as GE CompuNet in that country. It had become increasingly clear that Computacenter Germany lacked the scale and geographical coverage to compete effectively. We believe that combining the business with GECITS will offer a more credible proposition for customers in that market.

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

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

Mike Norris
Chief Executive Officer

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

In partnership

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

10 In partnership
12 BNP Paribas & Computacenter
14 SEEBOARD & Computacenter
16 Translucis & Computacenter

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

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

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

BNP Paribas & Computacenter
A proven record

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

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

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

Brian O'Donnell, IT Director,
SEEBOARD Power Networks

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

SEEBOARD & Computacenter
A mature approach

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

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

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

Madeleine Buchanan, Operations Director, Translucis

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

Translucis & Computacenter
An innovative solution

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

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

Finance Director's review

Turnover and profitability
The results for this year again showed record turnover for the Group, which grew by 5.3% to almost £2.1 billion. However while first half revenue grew by 26.6% over H1 2000, second half revenue fell by 13.4% over H2 2000 (see table 1). This fall clearly reflected the reduction in IT infrastructure spending as a result of the global slowdown as the year progressed.

Pre-exceptional pre-tax profits reduced by 8.0%. In 2000 our reporting focused on pre-tax profits prior to our investment in the Biomni joint venture; however for 2001 the Biomni results are included, as market conditions make it unlikely that there will be a flotation of this business in the near term.

However, the pre-exceptional pre-tax profit half-year comparisons are significantly more variable (see table 2).

The first half pre-exceptional pre-tax profit growth of 70.0% over H1 2000 reflected both weak performance in H1 2000, arising from the millennium slowdown, and the strong growth enjoyed in H1 2001. However, H2 2001 pre-exceptional pre-tax profit was down by 49.2% over the same period of 2000, reflecting a millennium recovery effect in H2 2000 and the IT spending slowdown in H2 2001.

The Group recorded its first non-operating exceptional charges during 2001 as part of the tighter focus on core operations, which involved the closure of the iGroup knowledge management business and the withdrawal from the German business.

In recognition of the lower product sales in the UK business in H2 2001, the Group took actions to reduce the overhead structure. This resulted in a charge of over £1 million that was included in the operating profit.

Operating profits
The UK remains our major market, representing almost 84% of Group revenues in 2001. H2 2001 revenue in the UK declined by 24.8% on H1. This reduction includes a fall in product sales of 28%, which was mitigated by service revenue growth. Historically, our systems integration service revenues have been closely related to revenues from products sold and installed, and the increasing independence of the two revenue streams is a noteworthy and pleasing development. The variability in revenue in each half significantly impacted operating margins (see table 4), with 2001 UK operating margins reduced from 3.8% in H1 to 2.4% in H2. Operating profit from continuing operations reduced by 14.1% over 2000.

As expected, product margins remained very competitive. Product margins reduced overall by 0.5% in 2001 over 2000, although this was partly due to a change in the mix of business across different market sectors.

In the France and BeLux region performance was encouraging. Operating profit in these operations increased from £1.2 million to £5.1 million and revenue grew 22% from £227.2 million to £276.8 million, (see tables 3 and 4) which is significantly ahead of market growth. While profit declined as a result of the millennium slowdown in the first half of 2000, operating margin has since returned to 1999 levels of 1.9%. The operating profit improvement was adversely affected by the continued disappointing results in Belgium where operating loss increased from £0.6 million to £0.8 million, due to extended difficulties in the integration of the two acquired businesses and the slowdown in international opportunities referred from other countries.

In Germany the operating loss reduced significantly in H1 2001 over H1 2000, partly due to the absence of the millennium effect and the result of a restructuring programme completed in early 2001. However, given our weak competitive position in this marketplace and the continuing high cost of organic growth, we took the decision to sell this business.

Earnings per share and dividend
Diluted earnings per share reduced by 52% to 9.9p. However, excluding the impact of non-operating exceptional items, the reduction on the diluted EPS was 14%. It is our intention to recommend an unchanged dividend of 2.9p per share. The dividend will be payable on 30 May 2002 to registered shareholders as of 3 May 2002.

Disposal of non-core operations
During 2001 the Group closed the iGroup, which developed knowledge management solutions, and disposed of the German operations to GE Compunet Computer AG. The iGroup closure resulted in a non-operating exceptional charge of £3.1 million, largely relating to redundancy costs, the write-down of assets and withdrawal from third party agreements.

The sale of the German operations resulted in a non-operating exceptional charge of £13.1 million that includes an impairment provision against fixed assets of £2.1 million, office closure costs of £1.5 million, staff costs of £5.2 million and other costs of £4.3 million, which include a non-cash charge of £2.6 million relating to goodwill previously written off.

In total the non-cash element of the exceptional item arising on the disposal is £4.7 million. Approximately £2 million of the cash element had not been paid at 31 December 2001.

We do not expect any further operating loss or exceptional costs relating to Germany.

Cash flow and working capital
The main elements of working capital are as follows:

	Dec 2001	Dec 2000	Change
Stock Days	21	29	8
Debtor Days	42	50	8
Creditor Days	36	48	12

Following the millennium recovery, we enjoyed high sales in the last quarter, relative to the average daily sales of the whole year. This resulted in high working capital ratios at 2000 year-end. The reverse of this position applied in 2001

Table 1
Group revenues, H1 2000 to H2 2001, £million

	Half 1	Half 2	Total
2000	926.7	1,061.7	**1,988.4**
2001	1,173.6	919.8	**2,093.4**
% Change	**+26.6**	**-13.4**	**+5.3**

Table 2
Group pre-exceptional pre-tax profit, H1 2000 to H2 2001, £million

	Half 1	% return	Half 2	% return	TOTAL	% return
2000	19.2	2.1	36.4	3.4	55.6	2.8
2001	32.6	2.8	18.5	2.0	51.1	2.4
% change	**+70.0**	**-**	**-49.2**	**-**	**-8.0**	

as a consequence of low sales in the last quarter relative to the year as a whole. In a year with normal seasonal patterns we continue to expect debtor days of 45, creditor days of 40 and stock days of 28.

The cash inflow from operating activities to operating profit was in excess of 157%, which compares to 88% in 2000. This level of cash generation is exceptional and was driven by the significant slowdown experienced in H2 2001, with a consequent reduction in the level of working capital required.

Cash generation from operations of £86.6 million contributed to the improvement in the Group's net cash position to £53.3 million. Capital expenditure reduced from £27.5 million to £15.8 million, which was mainly due to the completion of the Hatfield facility in 2000.

Taxation
The effective tax rate for the Group was 45.3% compared to 29.4% in the previous year. In 2000 we benefited from a contribution to a Qualifying Employee Share Scheme Trust for the satisfaction of options granted under the Group's Sharesave scheme. No contributions were made in 2001. However the major reason for the increase in the effective tax rate was the impact of the unrelieved operating losses in Germany and, in particular, the loss incurred on the disposal of the German operations. This accounted for a 14.2% differential in the tax rate from the standard 30%. The UK trading company effective tax was 31.5% and, as we do not expect this to change materially in 2002, we expect the Group tax rate to be approximately 32% in 2002.

Acquisitions
The Group purchased certain assets from GE Capital Information Technology Solutions Limited on 30 November 2001. 247 employees, primarily sales and technical staff, transferred to Computacenter (UK) Ltd. The purchase price of the business was £2.5 million, which was reduced by an integration payment of £1.1 million. Goodwill of £2.1 million was generated on the transaction, which will be written down in accordance with our existing accounting policy. Integration is progressing according to plan, with the customer accounts and employees transferred to the appropriate sectors of Computacenter's UK business during January 2002.

On 15 February 2002 we completed the purchase of the business and certain assets of GE Capital Information Technology Solutions SA for £0.7 million. The integration of this acquisition is also proceeding as per plan. We do not anticipate a requirement to make an integration provision for either the UK or French businesses.

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, other than as required for the business operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. Our 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 bonds. The Group's bank borrowings and deposits are at floating rates whereas the bond, which was issued in 1995, is at a fixed rate of 10%. 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 to the Group. When long-term borrowings are utilised the Group's policy is to maintain these borrowings at fixed rates to manage the Group's exposure to interest rate fluctuations.

Liquidity risk
The Group's policy is to ensure that we have sufficient funding and committed bank facilities in place to meet any foreseeable peak in borrowing requirements. At 31 December 2001 we had £47.0 million of committed bank facilities with maturities for up to one year, of which 39% were drawn down. The Group has historically maintained fixed borrowings, which mature in November 2002, to ensure continuity of funding and to allow it to meet working capital requirements during the year.

The bond balance outstanding of £38.1 million will be repaid on 24 November 2002 and it is our current intention to repay the bond from existing cash resources which were £109.7 million at the year-end. The interest rate charged on the bond is 10% and, compared to current interest rates, we will see an improvement in the net interest position of over £2 million per annum with effect from 24 November 2002.

The Group's net cash position at the year- end of £53.3 million, in combination with the above facilities and the ability to access approximately £50 million of funds through sale and lease back of fixed assets, provides a generous cushion for financing working capital movements.

Foreign currency risks
The Group operates in the UK, France, Belgium and Luxembourg, and uses local borrowings to fund its operations in each of these countries, where principal receipts and payments are denominated in local currency. A small proportion of the sales of the Group's UK businesses is to customers outside the UK. These sales are priced in sterling but invoiced in the currencies of the customers involved. The Group's policy is to eliminate all material currency exposures on sales at the time of sale through forward currency contracts. All other sales of the UK businesses are denominated in sterling.

In certain circumstances the Group uses forward exchange contracts to hedge foreign currency exposures arising on forecast receipts and payments. In addition, the Group has entered into foreign currency swaps during the year to hedge against the exposure on fixed term loans made in foreign currencies.

Tony Conophy
Finance Director

Table 3
Revenues by country, H1 2000 to H2 2001, £million

	2000		2001	
	Half 1	Half 2	**Half 1**	**Half 2**
UK	799.5	887.0	**1,001.0**	**753.0**
France & BeLux	92.7	134.5	**125.6**	**151.2**
Germany	34.5	40.2	**47.0**	**15.6**
TOTALS	926.7	1,061.7	**1,173.6**	**919.8**

Table 4
Operating profit, H1 2000 to H2 2001, £million

	2000				2001			
	Half 1	% return	Half 2	% return	**Half 1**	**% return**	**Half 2**	**% return**
UK continuing	25.2	3.2	43.0	4.8	**37.8**	**3.8**	**16.6**	**2.4**
UK discontinued	(0.4)		(4.1)		**(3.4)**		**0.3**	
France & BeLux	(1.6)	(1.7)	2.8	2.1	**1.6**	**1.3**	**3.5**	**2.3**
Germany	(1.8)	(5.1)	(1.7)	(4.3)	**(0.6)**	**(1.3)**	**(0.8)**	**(5.1)**
TOTALS	21.4		40.0		**35.4**		**19.6**	

Board of Directors

01

02

03

Executive Directors

01 Ron Sandler
Chairman, aged 50

Ron has a first class degree in engineering from Cambridge and an MBA from Stanford University. His early career was with Boston Consulting Group as a Vice President and Director, and as Chief Executive of Martin Bierbaum Group and Exco plc. He was Chief Executive of Lloyd's of London from 1995 until 1999, playing a key role in Lloyd's reconstruction, then Chief Operating Officer of NatWest Group until its acquisition by Royal Bank of Scotland. He is Chairman of Kyte Group Limited and a member of the Partnership Council of lawyers Herbert Smith. Ron joined the Board of Computacenter in May 2000 and was appointed Chairman in May 2001.

02 Mike Norris
Chief Executive, aged 40

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.

03 Tony Conophy
Finance Director, aged 44

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

04

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Non-Executive Directors

04 Nick Cosh
Aged 55
Nick 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 Chairman of Fleming American Investment Trust. Previous positions held include Group Finance Director of JIB Group and Non-Executive Director of Invesco Income Growth Trust plc.

05 Philip Hulme
Aged 53
Philip founded Computacenter with Peter Ogden in 1981 and since then has worked for the Company on a full-time basis until stepping down as Executive Chairman in 2001. He is a Director of Dealogic Limited and was previously a Vice President and Director of the Boston Consulting Group.

06 Peter Ogden
Aged 54
Peter founded Computacenter with Philip Hulme in 1981 and was Chairman of the Company on a full-time basis until 1998, when he became a Non-Executive Director. He is Chairman of Dealogic Limited, a Director of Omnia Limited, a Non-Executive Director of Abbey National plc and a Non-Executive Director of Psion plc. Prior to joining Computacenter he was a Managing Director of Morgan Stanley and Co.

07 Cliff Preddy
Aged 54
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 the Deputy Chairman of Charteris plc and Non-Executive Chairman of Science Systems plc and Acquisition Accounting Limited.

Corporate governance statement

The Company is committed to high standards of Corporate Governance and has continuously reviewed compliance with best practice.

1 Statement by the Directors on Compliance with the Provisions of the Combined Code

The Company aims to achieve full compliance with the provisions set out in Section 1 of the Combined Code. Specific areas of non-compliance, identified in section 2 of this statement (Board of Directors), are either being addressed or are under review. In the opinion of the Directors, the Group has operated adequate procedures to identify, evaluate, and manage significant risks faced by the Group throughout the year and up to the date of approval of the Annual Report and Accounts, in accordance with the provisions of the Combined Code. Reference is made to information contained elsewhere in the Annual Report as appropriate.

2 Board of Directors

The Board of Directors comprises three Executive Directors and four Non-Executive Directors, two of whom, Nick Cosh and Cliff Preddy, are independent. Their biographies appear on page 21. These demonstrate a range of experience and calibre sufficient to bring independent judgement on issues of performance and strategy. The Board is responsible for overall Group strategy. A statement of the Directors' responsibilities in respect of the accounts is given on page 28. A formal schedule of matters is specifically reserved to the Board for decision.

There were seven scheduled Board meetings during 2001 and other meetings were held as necessary. All Directors have access to the advice and services of the Company Secretary, Alan Pottinger, who is responsible for ensuring Board procedures are followed and that the applicable rules and regulations are complied with. To enable the Board to discharge its duties, all Directors receive appropriate and timely information.

There is a clear division of responsibilities between the running of the Board and the running of the Group's day-to-day business. The Chairman is responsible for the former, and the Chief Executive is responsible for the latter. No individual has unfettered powers of decision.

There is a procedure agreed by the Board of Directors in furtherance of their duties to take independent professional advice, if necessary, at the Company's expense.

Adrian Beecroft, who was the nominated Senior Independent Non-Executive Director, and Rod Richards, an independent Non-Executive Director, resigned from the Board in February 2002. Nick Cosh and Cliff Preddy joined the Board in January 2002 and are both independent Non-Executive Directors. However, as they are recent appointments, the Board has taken the view that it is too early to nominate either as Senior Independent Non-Executive Director (as required by Section A.2.1 of the Combined Code), although this will be kept under review. Section A.3.2 of the Code specifies that a majority of the Non-Executive Directors be independent and it is recognised that, as currently only two of Computacenter's four Non-Executive Directors are independent, the requisite majority is not in place. Having only recently appointed Nick Cosh and Cliff Preddy, the Board has taken the decision to defer further appointments for the time being, although it is intended that the recruitment of a further independent Director will be pursued in due course.

One third of the Directors in office at the date of the Annual General Meeting (AGM) notice are required to retire by rotation. In accordance with the provisions of the Combined Code, each of the retiring Directors will be subject to election by the shareholders at the forthcoming AGM. At the date of this report, none of the Directors proposed for re-election at the AGM has service contracts with notice periods of more than one year.

Certain Board duties are delegated to the Committees of the Board, the responsibilities and composition of which are set out below.

Nomination Committee

The Nomination Committee comprises Ron Sandler (as Chairman), Philip Hulme and Peter Ogden. The role of the Nomination Committee is to carry out the selection process for the appointment of Executive and Non-Executive Directors to the Board of the Company.

Remuneration Committee

The Remuneration Committee comprises Cliff Preddy (as Chairman) and Nick Cosh. Philip Hulme and Peter Ogden act as non-voting special advisors to the Committee. The Committee is constituted under terms of reference laid down by the Board that are designed to enable the Company to comply with the requirements of the Combined Code regarding remuneration. The role of the Committee includes the determination of both the Company's general policy on executive remuneration and the specific packages for Executive Directors. The Committee also monitors and reviews the terms and conditions of the Executive Directors' service agreements and determines the grant of share options under the Company's share option schemes to both Executive Directors and other senior employees.

Audit Committee

The Audit Committee comprises Nick Cosh (as Chairman), Cliff Preddy and Peter Ogden. The role of the Committee is to review a wide range of matters including the Group's annual and interim financial statements, the accompanying reports to shareholders, the preliminary announcement of results and any other public announcements regarding financial information. The Committee advises the Board on the appointment and remuneration of the external auditors and discusses the nature, scope and results of the audit with the external auditors. The Audit Committee keeps under review the cost-effectiveness, independence and objectivity of the external auditors. In addition, the Committee reviews reports presented by the internal auditors and others, such as the Risk and Insurance Department, regarding significant operational risks and controls.

3 Directors' Remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 24 to 26.

4 Relations with Shareholders

Communications with shareholders are given a high priority. There is a regular dialogue with institutional shareholders, including presentations after the Company's interim and preliminary results announcements. In addition to mandatory information, a full and balanced explanation of the business of all general meetings is sent to shareholders. Shareholders are also encouraged to view the Group's website, which includes the share price as well as dedicated pages on case studies, news and financial information.

The Chairman of the Board aims to ensure that the Chairmen of the Audit, Remuneration and Nomination Committees are available at the AGM to answer the questions of private and institutional investors. Details of the resolutions to be proposed at the AGM on 10 May 2002 can be found in the Notice of Meeting enclosed with this report.

5 Accountability and Audit

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and therefore can only provide reasonable and not absolute assurance against any material misstatement or loss.

The system of internal control is designed to continuously identify, evaluate and manage significant risks faced by the Group. Key elements of this system are as follows:

Management Structure

The Board has overall responsibility for making significant strategic decisions. The Executive Directors, together with a number of senior managers, constitute the Executive Committee, which meets on a regular basis to discuss day-to-day operational matters. 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, which 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 approval by the Board. Performance is monitored through a rigorous and detailed reporting system through which monthly results are compared to budgets. The results and explanations for variances are regularly and routinely reported to the Board. Appropriate action is taken where variances arise.

Risk Management

Specialist departments monitor developments and ensure compliance with legislative and regulatory requirements. During the year additional resources have been dedicated to managing risk, ensuring that, through a process of assessment, appropriate measures and systems of control (including insurance) are in place and that the total cost of risk spend is optimised. Detailed contingency plans are being developed for all key Computacenter 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 monitored.

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 established to ensure that required standards of performance are maintained. Resource requirements are identified by managers and reviewed by the Executive Committee.

6 Board Review of Internal Control

The effectiveness of the system of internal control is reviewed by the Board on an ongoing basis, specifically through the work of the Internal Audit Department. The Board has processes to satisfy itself that the system of internal control is effective and appropriately manages the risks faced by the business. These processes accord with the Turnbull guidance and include:

- Consideration of regular reports presented by Internal Audit, external audit, and operational management
- Regular review of financial reports and information
- Consideration of actions taken by management to address any issues identified
- Consideration of the results of reviews on Group risk and control.

The Board, acting through the Audit Committee, has directed the work of Internal Audit towards those areas of the business that are considered to be of highest risk. A rolling audit programme has been developed to ensure that all significant areas of the business are independently reviewed within a three-year period. This programme is continually reviewed to ensure it takes account of the latest information, in particular, the results of the annual review of internal control. During 2001 the Internal Audit Department carried out a number of reviews of specific areas of the business and the findings of these reviews were reported to the Audit Committee. The effectiveness of the Internal Audit Department is reviewed annually by the Audit Committee.

In addition to this rolling internal audit programme, the Board conducts an annual review of the effectiveness of internal control systems by reviewing all major risks with key managers across the Group, thereby ensuring that these are being managed to the satisfaction of the Board. This review process is undertaken by the Internal Audit Department and its findings recorded in a risk register. To ensure the effectiveness of the risk management process, a summary of the register is then reviewed by the Audit Committee. The risk register is updated on an ongoing basis throughout the financial year based on data from internal audits, ongoing discussion with managers, and other sources.

The Board is satisfied that all matters raised by the external auditors are being appropriately addressed and that the Audit Committee will continue to monitor any issues raised.

RA Sandler
Chairman

Remuneration Report

Composition

On 4 February 2002, Adrian Beecroft and Rod Richards resigned as Non-Executive Directors of the Company and as members of the Remuneration Committee, and Nick Cosh and Cliff Preddy were appointed to the Committee in their place. Cliff Preddy has been appointed Chairman of the Committee. Philip Hulme and Peter Ogden are non-voting special advisors to the Committee.

Objective

The Committee's objective is to review the Company's general policy on executive remuneration and to ensure that, overall, remuneration packages for Executive Directors are competitive and sufficient to attract, retain and motivate high-quality individuals capable of achieving the Group's objectives.

Remuneration of Executive Directors

Salaries and benefits are reviewed annually to ensure they support the Group's business objectives, taking into account information from comparable companies where relevant. The components of the remuneration package are discussed below:

Basic salary and benefit

The basic salary for 2001 for each Executive Director was set at a meeting of the Remuneration Committee on 8 March 2001. Benefits principally comprise a company car. The values shown for the benefits in kind in the table of Directors' emoluments below are the amounts assessable to income tax for each Director.

Annual performance bonus

Mike Norris and Tony Conophy have discretionary bonus schemes that are linked to the performance of the Group. For 2001, the maximum that could have been awarded was £192,500 (2000: £192,500) and £120,000 (2000: £120,000) respectively. The actual bonuses awarded were £96,250 (2000: £64,000) to Mike Norris and £60,000 (2000: £40,000) to Tony Conophy.

Share options

The Executive Directors are eligible to be granted options under the Company's share option schemes. These options are subject to certain performance conditions, which are designed to produce significant and sustained improvements in the Group's underlying financial performance.

Pension

Mike Norris and Tony Conophy are entitled to a maximum annual pension contribution of £2,500 each under the arrangements of the Computacenter pension scheme, a defined contribution scheme available to all UK employees. The scheme also allows all employees to make salary sacrifices, which the Company will contribute to the pension scheme on their behalf. Any Company contribution in excess of the annual limit of £2,500 represents the amount of salary sacrificed by the individual.

Fees

The fees for Non-Executive Directors are determined by the Board within the limits stipulated in the Articles of Association. The Non-Executive Directors are not involved in the determination of their own remuneration.

Directors' Remuneration

The remuneration of the Directors in the year ended 31 December 2001 was as follows:

	Basic salary and fees £	Benefits in kind £	Performance related bonuses £	Pension contributions £	**Total 2001 £**	Total 2000 £
Executive Directors						
RA Sandler [1]	223,253	-	-	-	**223,253**	116,014
MJ Norris	385,000	21,000	96,250	2,500	**504,750**	474,463
FA Conophy	220,000	9,616	60,000	24,895	**314,511**	294,157
Non-Executive Directors						
PAB Beecroft [2]	30,000	-	-	-	**30,000**	30,000
PW Hulme [3]	82,500	1,741	-	-	**84,241**	246,879
PJ Ogden	30,000	-	-	1,500	**31,500**	31,500
RL Richards [4]	30,000	-	-	-	**30,000**	30,000
Total	1,000,753	32,357	156,250	28,895	**1,218,255**	1,223,013

(1) Comprises £182,821 of salary and £40,432 of fees and expenses. Until his appointment as Executive Chairman at the Annual General Meeting of 10 May 2001, Ron Sandler's fees and expenses were paid to Sandler Rentoul Associates Limited, a company through which his services were made available.
(2) Adrian Beecroft's fees of £30,000 were paid to Apax Partners & Co Ventures Limited, his employer.
(3) Philip Hulme received fees as Executive Chairman until he resigned from this role at the Annual General Meeting of 10 May 2001, following which he received the standard fee for a Non-Executive Director.
(4) Rod Richards's fees of £30,000 were paid to Graphite Capital Management Limited, his employer.

Aggregate pension contributions for 2001 were £28,895 (2000: £45,567).

Interests in Options

The Directors have been awarded options under the Computacenter Services Group plc Unapproved Executive Share Option Scheme, the Computacenter Employee Share Option Scheme 1998, the Computacenter Performance Related Share Option Scheme 1998 and the Computacenter Sharesave Scheme. The number of share options outstanding is as follows:

	Exercise price	Exercise dates		At 1 January 2001 (or date of appointment)	Granted during the year	Exercised during the year (or since appointment)	Lapsed	At 31 December 2001
Executive Directors								
RA Sandler	333.50p	20/3/04-19/3/11	(1)	-	150,000	-	-	**150,000**
	333.50p	20/3/05-20/3/11	(1)	-	150,000	-	-	**150,000**
	333.50p	20/3/06-19/3/11	(1)	-	200,000	-	-	**200,000**
				-	500,000	-	-	**500,000**
MJ Norris	25.00p	9/4/99-8/4/03	(2)	**300,000**	-	-	-	**300,000**
	41.25p	9/4/99-8/4/06	(2)	**400,000**	-	-	-	**400,000**
	160.00p	31/7/00-30/7/07	(2)	**250,000**	-	-	-	**250,000**
	565.00p	1/4/02-31/3/09	(3)	**30,973**	-	-	30,973	**-**
	670.00p	1/9/03-31/3/04	(4)	**2,574**	-	-	-	**2,574**
	942.50p	25/4/03-24/4/10	(3)	**20,424**	-	-	-	**20,424**
	333.50p	20/3/04-19/3/11	(1),(5)	-	8,995	-	-	**8,995**
	333.50p	20/3/04-19/3/11	(6)	-	48,726	-	-	**48,726**
				1,003,971	57,721	-	30,973	**1,030,719**
FA Conophy	41.25p	9/4/99-8/4/06	(2),(7)	**200,000**	-	200,000	-	**-**
	565.00p	5/5/02-4/5/09	(8)	**884**	-	-	884	**-**
	565.00p	1/4/02-31/3/09	(3)	**18,584**	-	-	18,584	**-**
	670.00p	1/9/03-31/3/04	(4)	**2,574**	-	-	-	**2,574**
	942.50p	25/4/03-24/4/10	(3)	**12,732**	-	-	-	**12,732**
	333.50p	20/3/04-19/3/11	(6)	-	35,982	-	-	**35,982**
				234,774	35,982	200,000	19,468	**51,288**

Remuneration Report continued

	Exercise price	Exercise dates	At 1 January 2001 (or date of appointment)	Granted during the year	Exercised during the year (or since appointment)	Lapsed	At 31 December 2001
Non-Executive Directors							
PAB Beecroft	-	-	-	-	-	-	-
PW Hulme	25.00p	9/4/99-8/4/03	(2) 1,600,000	-	-	-	1,600,000
PJ Ogden	25.00p	9/4/99-8/4/03	(2) 1,600,000	-	-	-	1,600,000
RL Richards	-	-	-	-	-	-	-

(1) Issued under the terms of the Computacenter Employee Share Option Scheme 1998.
(2) Issued under the terms of the Computacenter Services Group plc Unapproved Executive Share Option Scheme.
(3) Issued under the terms of the Computacenter Performance Related Share Option Scheme. The options exercisable from 1 April 2002 were exercisable on the condition that the average annual compound growth in the Group's earnings per share was at least 5% above the RPI for the three-year period commencing 1 January 1999. This condition was not met, therefore the options have lapsed. The options exercisable from 25 April 2003 are exercisable on the condition that the average annual compound growth in the Group's earnings per share is at least 5% above the RPI for the three-year period commencing 1 January 2000.
(4) Issued under the terms of the Computacenter Sharesave Scheme, which is available to all employees and full time Executive Directors of the Group.
(5) Exercisable on the condition that the average annual compound growth in the Group's fully diluted earnings per share, compared to the base year of 2000, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2003, 2004, or 2005 respectively.
(6) Issued under the terms of the Computacenter Performance Related Share Option Scheme. The options become exercisable if the average compound growth in the Group's fully diluted earnings per share, compared to the base year of 2000, is at least equal to the RPI plus 5% in any of the three, four or five year periods up to and including 2003, 2004, or 2005 respectively.
(7) Tony Conophy exercised 200,000 share options in April 2001.
(8) Issued under the terms of the Computacenter Employee Share Option Scheme 1998. The options were exercisable on the condition that the average annual compound growth in the Group's earnings per share was at least 5% above the RPI for the three year period commencing 1 January 1999. This condition was not met, therefore the options have lapsed.

The market value of the 200,000 shares acquired following the exercise of options by Tony Conophy was £687,000 on the date of exercise. Aggregate gains realised on the exercise of share options by Directors were £604,500 (2000: £8,989,000).

The middle market price of a Computacenter plc ordinary share during the year was in the range £1.59 to £4.58 and at 31 December 2001 was £3.45.

CSF Preddy
Chairman of the Remuneration Committee
18 March 2002

Directors' report

The Directors present their report and the audited accounts of the Company for the year ended 31 December 2001.

Principal activities

The Company is a holding company. The principal activities of the group of subsidiary undertakings of which it is the parent, are the design, project management, implementation and support of integrated information technology systems.

Review of the business

A detailed review of the Group's activities, the development of its business and an indication of future developments is included in the Chairman's Statement on pages 4 to 5, the Chief Executive's review on pages 6 to 9 and the Finance Director's review on pages 18 to 19.

Results and dividends

The Group's activities resulted in a profit before tax of £34,900,000 (2000: £55,571,000). The Group profit for the year available to shareholders amounted to £19,058,000 (2000: £39,237,000). The Directors propose a final dividend for the year of £5,435,000 (2000: £5,269,000) being payable on 30 May 2002 to those shareholders on the register as at 3 May 2002. The Company did not pay an interim dividend during the year.

Directors

The Directors who served during the year ended 31 December 2001 are listed below. Brief biographical details of the Directors at the date of this Report are given on pages 20 and 21.

On 8 January 2002 Nick Cosh and Cliff Preddy were appointed as Non-Executive Directors of the Company and on 4 February 2002 Adrian Beecroft and Rod Richards resigned as Non-Executive Directors of the Company.

Having been appointed since the last Annual General Meeting, Nick Cosh and Cliff Preddy will retire at the forthcoming Annual General Meeting and offer themselves for re-election. Tony Conophy and Mike Norris will retire by rotation at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

The Non-Executive Directors are appointed for specific terms, subject to re-election and to Companies Act provisions relating to the removal of a Director. Details of Directors' remuneration and their interests in the share capital of the Company are provided in the Remuneration Report on pages 24 to 26.

Directors' Interests

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 2001		At 1 January 2001 or 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	**1,685,212**	**-**	1,677,354	-
FA Conophy	**1,762,388**	**-**	1,562,388	-
Non-Executive Directors				
PAB Beecroft *	**111,905**	**-**	149,783	-
PW Hulme	**28,990,057**	**12,872,707**	31,190,057	10,872,707
PJ Ogden	**42,201,264**	**25,000**	42,162,764	25,000
RL Richards *	**7,500**	**-**	7,500	-

*resigned 4 February 2002

Rod Richards participates in an incentive scheme operated by his employer, Graphite Capital Management Limited, and accordingly has an interest in the performance of the ordinary shares held by Graphite Enterprise Trust plc.

There have been no changes in the interests of the Directors in the shares of Computacenter since 31 December 2001.

Major interests in shares

At 18 February 2002 the Company had received notification of the following substantial interests in the Company's issued ordinary share capital:

PJ Ogden	42,226,264	22.75%
PW Hulme	41,862,764	22.55%
Aegon UK plc	13,503,753	7.30%
Fidelity International Limited	7,413,726	4.00%

Directors' report continued

Authority to purchase own shares
At the 2001 Annual General Meeting a resolution was passed giving the Company the authority to purchase up to 10% of its ordinary shares by market purchase. At 31 December 2001, this authority remained unutilised. A resolution to further extend the authority is to be put to the 2002 Annual General Meeting.

Creditors payment policy
The Company does not hold any trade creditor balance, however it is the policy of the Group that each of the businesses should agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individually negotiated contracts) and that payment should be in accordance with those terms and conditions, provided that the supplier has also complied with them.

Employee share schemes
The Company operates executive share option schemes for the benefit of employees. During the year, options under the schemes to purchase shares of the Company have been granted to certain employees in respect of 758,995 ordinary shares of 5p each. At the year-end, 9,919,801 (2000: 11,186,983) options remain outstanding under the executive share option schemes. 1,601,273 ordinary share options were exercised during the year.

In addition the Company continues to operate a Sharesave Scheme for the benefit of employees. At the year-end, 3,615,369 (2000: 1,348,350) options granted under the Sharesave Scheme remain outstanding.

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

Equal opportunities
The Group is committed to equal opportunities. No employee or potential employee receives less favourable treatment or consideration on grounds of race, religion, national or ethnic origin, gender, disability, sexual orientation, age or marital status. To this end the Group has an Equal Opportunities Policy. This demonstrates the Group's commitment 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.

European monetary union
The Group has continued to monitor and consider the impact to the business of the Euro and we do not expect the costs associated with its implementation to be significant. Internal systems for our businesses within the "Eurozone" have been modified as necessary to meet business requirements.

Charitable donations
The Group has made charitable donations during the year amounting to £131,847 (2000: £156,321).

Statement of Directors' responsibilities in respect of the accounts
Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group or Company will continue in 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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors
During the year, Ernst & Young transferred its business to Ernst & Young LLP, a limited liability partnership. On 8 August 2001, the Company's Board of Directors passed a resolution approving the treatment of the appointment of Ernst & Young as the Company's auditor as extending to Ernst & Young LLP.

Accordingly, a resolution approving the re-appointment of Ernst & Young LLP will be proposed at the forthcoming Annual General Meeting.

By order of the Board

AJ Pottinger
Secretary
18 March 2002

Independent auditors' report to the members of Computacenter plc

We have audited the Group's financial statements for the year ended 31 December 2001, which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, Reconciliation of Net Cash Flow to Movement in Net Funds and the related notes 1 to 30. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, Chief Executive's Review, Finance Director's Review, Corporate Governance Statement, Remuneration Report, and Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
Reading
18 March 2002

Group profit and loss account

For the year ended 31 December 2001

For the year ended 31 December 2001	Note	2001 £'000	2000 £'000
Turnover			
Turnover: group and share of joint ventures turnover		**2,097,224**	1,990,620
Less: share of joint venture turnover		**(3,801)**	(2,173)
Continuing operations		**2,030,803**	1,913,353
Discontinued operations		**62,620**	75,094
Group turnover	2	**2,093,423**	1,988,447
Operating costs	3	**(2,038,340)**	(1,927,040)
Operating profit/(loss)			
Continuing operations		**59,608**	69,394
Discontinued operations		**(4,525)**	(7,987)
Group operating profit	4	**55,083**	61,407
Share of operating (loss)/profit in joint venture		**(2,174)**	(3,551)
Share of operating profit in associate		**(67)**	90
Total operating profit: Group and share of associate and joint venture		**52,842**	57,946
Exceptional loss on termination of operations	5	**(16,213)**	-
Profit on ordinary activities before interest and taxation		**36,629**	57,946
Interest receivable and similar income	7	**7,815**	6,343
Interest payable and similar charges	8	**(9,544)**	(8,718)
Profit on ordinary activities before taxation		**34,900**	55,571
Tax on profit on ordinary activities	9	**(15,799)**	(16,348)
Profit on ordinary activities after taxation		**19,101**	39,223
Minority interests – equity		**(43)**	14
Profit attributable to members of the parent company		**19,058**	39,237
Dividends - ordinary dividends on equity shares	10	**(5,435)**	(5,269)
Retained profit for the period		**13,623**	33,968
Earnings per share			
– Basic	11	**10.5p**	22.0p
– Diluted	11	**9.9p**	20.8p
Diluted (Excluding effect of non-operating exceptional items)	11	**17.9p**	20.8p
Dividends per ordinary share	11	**2.9p**	2.9p

Group statement of total recognised gains and losses

For the year ended 31 December 2001

For the year ended 31 December 2001	Note	2001 £'000	2000 £'000
Profit for the financial year excluding share of joint venture and associate		**20,647**	41,633
Share of joint venture's loss for the year		**(1,522)**	(2,486)
Share of associates (loss)/profit for the year		**(67)**	90
Profit attributable to members of the parent company for the financial year		**19,058**	39,237
Exchange differences on retranslation of net assets of associated and subsidiary undertakings		**254**	(75)
Total recognised gains for the year		**19,312**	39,162

Group balance sheet

At 31 December 2001

At 31 December 2001	Note	2001 £'000	2000 £'000
Fixed assets			
Intangible assets	12	**7,957**	6,227
Tangible assets	13	**103,523**	109,402
Investments	14	**13,531**	11,825
		125,011	127,454
Current assets			
Stocks	15	**95,385**	119,563
Debtors	16	**295,837**	339,623
Cash at bank and in hand		**109,665**	71,647
		500,887	530,833
Creditors: amounts falling due within one year	17	**(395,695)**	(410,095)
Net current assets		**105,192**	120,738
Total assets less current liabilities		**230,203**	248,192
Creditors: amounts falling due after more than one year	18	**(2,006)**	(39,504)
Provision for joint venture deficit	20		
Share of gross assets		**3,380**	3,455
Share of gross liabilities		**(7,370)**	(5,923)
		(3,990)	(2,468)
Provision for liabilities and charges	20	**(2,189)**	(1,983)
Total assets less liabilities		**222,018**	204,237
Capital and reserves			
Called up share capital	21	**9,281**	9,201
Share premium account	22	**68,710**	67,568
Profit and loss account	22	**143,825**	127,304
Shareholders' funds – equity		**221,816**	204,073
Minority interests – equity		**202**	164
		222,018	204,237

Approved by the Board on 18 March 2002

FA Conophy
Chairman

MJ Norris
Chief Executive

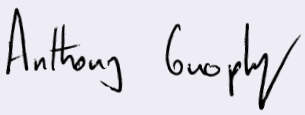
Company balance sheet

At 31 December 2001

At 31 December 2001	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	13	**39,859**	41,293
Investments	14	**127,172**	140,884
		167,031	182,177
Current assets			
Debtors	16	**24,780**	8,837
Cash at bank and in hand		**-**	106
		24,780	8,943
Creditors: Amounts falling due within one year	17	**(55,583)**	(7,349)
Net current (liabilities)/assets		**(30,803)**	1,594
Total assets less current liabilities		**136,228**	183,771
Creditors: Amounts falling due after more than one year	18	**-**	(48,089)
Provision for liabilities and charges	20	**(2,189)**	(1,927)
Total assets less liabilities		**134,039**	133,755
Capital and reserves			
Called up share capital	21	**9,281**	9,201
Share premium account	22	**68,710**	67,568
Merger reserve	22	**55,990**	55,990
Profit and loss account	22	**58**	996
Shareholders' funds – equity		**134,039**	133,755

Approved by the Board on 18 March 2002

FA Conophy
Finance Director



MJ Norris
Chief Executive

Group statement of cash flows

For the year ended 31 December 2001

For the year ended 31 December 2001	Note	2001 £'000	2000 £'000
Cash inflow from operating activities	23	**86,576**	54,277
Returns on investments and servicing of finance	24	**(1,515)**	(2,164)
Taxation			
Corporation tax paid		**(17,770)**	(19,625)
Capital expenditure and financial investment	24	**(18,687)**	(35,983)
Acquisitions and disposals	24	**(4,437)**	(702)
Equity dividends paid		**(5,294)**	(5,229)
Cash inflow (outflow) before financing		**38,873**	(9,426)
Financing			
Issue of shares	24	**1,222**	1,895
Decrease in debt	24	**(1,500)**	(1,500)
Increase/(decrease) in cash in the year		**38,595**	(9,031)

Reconciliation of net cash flow to movement in net funds

For the year ended 31 December 2001	2001 £'000	2000 £'000
Net funds at 1 January 2001	**13,407**	21,152
Increase/(decrease) in cash in the year	**38,595**	(9,031)
Cash outflow from repayment of debt and lease finance	**1,500**	1,500
Change in net cash resulting from cash flows	**40,095**	(7,531)
Amortisation of debt issue costs	**(214)**	(214)
Increase in debt on acquisition of subsidiary	**-**	-
Net funds at 31 December 2001	**53,288**	13,407

Notes to the financial statements

1 Accounting policies

Basis of preparation
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation
These Group accounts consolidate the accounts of Computacenter plc and all of its subsidiary undertakings for the period drawn up to 31 December each year. No profit and loss account is presented for Computacenter plc as permitted by section 230 of the Companies Act 1985. The profit after tax for Computacenter plc was £4,497,000 (2000: £3,172,000).

Undertakings, other than subsidiary undertakings, in which the Group holds a participating interest and over which it exerts significant influence are treated as associated undertakings. The Group accounts include the appropriate share of those undertakings' results (from the date of acquisition) and net assets based on audited accounts of those undertakings for the year. Undertakings which the Group jointly controls with other entities are accounted for as joint ventures. The Group accounts include the appropriate share of those undertaking's results, and the appropriate share of the gross assets and liabilities of those undertakings.

Depreciation of tangible fixed assets
Freehold land is not depreciated. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	50 years
Leasehold acquisition costs	period to expiry of lease
Structural improvements	shorter of 7 years & period to expiry of lease
Fixtures and fittings	
– Hatfield	5 to 15 years
– Other	shorter of 7 years & period to expiry of lease
Office machinery, computer hardware and software	2 to 15 years
Motor vehicles	3 years

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

Leases
Assets held under finance leases and hire purchase contracts that transfer substantially all the risks and rewards of ownership to the Group are treated as if they had been purchased and an amount equivalent to their fair value is included under tangible fixed assets. Depreciation is provided in accordance with the Group's normal depreciation policy. The capital element of the related rental obligations is included in creditors. Leasing and hire purchase payments are treated as consisting of capital and finance charge elements and the finance charge is included in interest payable in the profit and loss account.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Stocks
Stocks are valued at the lower of average cost and net realisable value after making due allowance for any obsolete or slow moving items. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Revenue recognition and deferred product revenue
Product revenue is recognised when receivable under a contract following delivery of a product. Maintenance revenue is recognised over the maintenance period on a straight-line basis. The unrecognised maintenance revenue is included as deferred income in the balance sheet.

Taxation
Deferred taxation is provided using the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

Goodwill
Goodwill arising on acquisitions prior to 31 December 1997 was written off against reserves in the period of acquisition. Goodwill previously eliminated against reserves has not been reinstated on implementation of FRS 10.

Goodwill arising on acquisitions since 1 January 1998 has been capitalised, classified as an intangible asset on the balance sheet and amortised on a straight-line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Pensions
The Group operates a defined contribution pension scheme available to all UK employees. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Net assets of overseas subsidiaries and associated undertakings are translated at the rate of exchange ruling at the balance sheet date. Profit and loss accounts of overseas subsidiaries are translated using average rates of exchange. Exchange differences arising from the retranslation of opening net assets and profit and loss accounts using year-end rates of exchange are taken directly to reserves.

Financial instruments
A discussion of how the Group manages its financial risks is included in the Finance Director's review on pages 18 and 19. Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. These forward contracts are revalued to the rates of exchange at the balance sheet date and any unrealised gains and losses arising on revaluation are included in other debtors/other creditors. At maturity, gains or losses are taken to the profit and loss account.

The Group has decided not to include short-term debtors and creditors within the numerical disclosures, as permitted under FRS13.

Capital instruments
Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying value.

Notes to the financial statements

2 Turnover and segmental analysis

The Group operates in one principal activity, that of the provision of distributed information technology and related services. Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of VAT.

An analysis of turnover by destination and origin, operating profit and net assets is given below:

	2001 £'000	2000 £'000
Turnover by destination		
UK		
Continuing	**1,744,226**	1,668,536
Discontinued	**54**	395
Total	**1,744,280**	1,668,931
France, Belgium & Luxembourg	**280,765**	225,311
Germany – discontinued	**62,889**	77,639
Rest of the world	**5,489**	16,566
Total	**2,093,423**	1,988,447

	2001 £'000	2000 £'000
Turnover by origin		
UK		
Continuing	**1,753,999**	1,686,143
Discontinued	**54**	395
Total	**1,754,053**	1,686,538
France, Belgium & Luxembourg	**276,804**	227,210
Germany – discontinued	**62,566**	74,699
Total	**2,093,423**	1,988,447

	2001 £'000	2000 £'000
Operating profit		
UK		
Continuing	**54,438**	68,179
Discontinued	**(3,105)**	(4,518)
Total	**51,333**	63,661
France, Belgium & Luxembourg	**5,170**	1,215
Germany – discontinued	**(1,420)**	(3,469)
Total Group excluding associate & joint venture undertakings	**55,083**	61,407
Share of operating result of associates and joint venture	**(2,241)**	(3,461)
Total operating profit	**52,842**	57,946

	2001 £'000	2000 £'000
Net assets employed		
UK	**182,257**	195,740
France, Belgium & Luxembourg	**12,146**	9,837
Germany	**(6,449)**	2,276
Subtotal	**187,954**	207,853
Net assets of associated undertaking		
UK	**8**	75
Rest of the world	**150**	150
Net assets employed	**188,112**	208,078
Net funds	**53,288**	13,407
Net operating assets	**241,400**	221,485
Non-operating liabilities	**(19,382)**	(17,248)
Net assets	**222,018**	204,237

3 Operating costs

	Continuing £'000	Discontinued £'000	2001 £'000	Continuing £'000	Discontinued £'000	2000 £'000
Decrease/(increase) in stocks of finished goods	19,029	4,789	23,818	(29,935)	3,256	(26,679)
Goods for resale and consumables	1,570,346	45,446	1,615,792	1,529,012	57,011	1,586,023
Staff costs (note 6)	222,090	10,533	232,623	208,418	14,036	222,454
Depreciation and other amounts written off tangible and intangible assets	16,993	1,183	18,176	12,405	1,060	13,465
Other operating charges	142,737	5,194	147,931	124,059	7,718	131,777
	1,971,195	67,145	2,038,340	1,843,959	83,081	1,927,040

4 Operating profit

	2001 £'000	2000 £'000
This is stated after charging:		
Auditors' remuneration – audit services – UK	142	155
– audit services – overseas	53	48
– non-audit services – UK	135	64
– non-audit services – overseas	119	-
Depreciation of owned assets	17,847	13,202
Operating lease rentals– plant & machinery	-	-
– land & buildings	7,345	7,855
	9,196	8,059
Amortisation of intangible fixed assets	329	263
and after crediting:		
Rentals received under operating leases	204	102

5 Exceptional Items

	2001 £'000	2000 £'000
Recognised below operating profit:		
UK		
Closure of iGroup software development activities	3,101	-
Germany		
Loss on disposal	3,080	-
Other closure costs	7,388	-
Goodwill written back to reserves	2,644	-
	16,213	-

Notes to the financial statements

6 Staff costs

	2001 £'000	2000 £'000
Wages and salaries	**196,414**	193,837
Social security costs	**31,764**	22,828
Other pension costs	**4,445**	5,789
	232,623	222,454

The average number of persons employed by the Group, including Directors, during the year was as follows:

	Number of employees	
	2001	2000
Supply chain services	**1,534**	1,507
Managed services	**1,853**	1,542
Sales and customer services	**1,120**	1,093
Business support	**691**	722
Direct business	**132**	145
Professional services	**488**	451
Other services	**141**	243
Total	**5,959**	5,703

Details of Directors' remuneration, pension entitlements and share options are disclosed in the Remuneration Report on pages 24 to 26.

7 Interest receivable and similar income

	2001 £'000	2000 £'000
Bank interest	**6,375**	6,343
Other interest receivable	**1,440**	-
	7,815	6,343

8 Interest payable and similar charges

	2001 £'000	2000 £'000
Bank loans and overdraft	**1,456**	433
Other loans	**8,088**	8,284
Finance charges payable under finance leases and hire purchase contracts	**-**	1
	9,544	8,718

9 Tax on profit on ordinary activities

The charge based on the profit for the year comprises:

	2001 £'000	2000 £'000
UK corporation tax*	**15,681**	17,118
Foreign	**564**	48
	16,245	17,166
Share of joint venture's tax	**(652)**	(1,065)
	15,593	16,101
Deferred tax	**206**	247
Total tax charge	**15,799**	16,348

*Includes a tax credit of £930,000 relating to the effect of non-operating exceptional items.

9 Tax on profit on ordinary activities continued

The tax charge for the year is higher than the standard rate of Corporation Tax in the UK (30%). The principal reasons for this difference are set out below:

	2001 £'000	2000 £'000
Total profit before taxation	**34,900**	55,571
At 30%	**10,470**	16,671
Expenses not deductible for tax purposes	**739**	1,117
Funding to overseas entity not deductible for tax purposes	**924**	-
Goodwill amortised	**99**	79
Goodwill reinstated on disposal	**793**	-
Accounting depreciation in excess of tax depreciation	**12**	(726)
Effect of payment to Quest	**-**	(2,633)
Profits of overseas undertakings not taxable due to brought forward loss offset	**(669)**	-
Losses of overseas undertakings not available for relief	**3,225**	1,593
Current tax charge	**15,593**	16,101

Tax losses have been surrendered by way of group relief to Computacenter (UK) Ltd, which has paid the tax value for these losses.

10 Dividends

The Directors recommend the payment of a dividend of 2.9p per share (2000: 2.9p per share), representing an aggregate charge of £5,435,000 (2000: £5,269,000). The Computacenter ESOP trust has waived the dividends payable in respect of 1,427,042 (2000: 1,427,042) ordinary shares that it owns which are not allocated to employees. The Computacenter Trustees Limited have waived dividends in respect of 461,011 (2000: 461,011) shares which it owns which are not allocated to employees and the Computacenter Quest ("Qualifying Employee Scheme Trust") has similarly waived dividends in respect of 1,109,143 (2000: 1,109,143) shares that it owns.

11 Earnings per share

The calculation of earnings per ordinary share is based on profit attributable to members of the holding Company of £19,058,000 (2000: £39,237,000) and on 181,252,000 (2000: 177,952,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year after excluding the shares owned by the Computacenter Employee Share Trust, Computacenter Trustees Limited and the Computacenter Quest.

The diluted earnings per share is based on the same earnings figure of £19,058,000 (2000: £39,237,000) and on 191,928,000 (2000: 188,556,000) ordinary shares, calculated as the basic weighted average number of ordinary shares, plus 10,676,000 (2000: 10,604,000) dilutive share options.

An additional earnings per share ratio of 17.9p was presented to provide a measure of Group operating activities, excluding the exceptional item. This additional earnings per share ratio is based on earnings of £34,341,000, which comprises the profit attributable to members of the holding company of £19,058,000, excluding the exceptional loss £16,213,000 and the tax credit of £930,000, and on 191,928,000 ordinary shares.

Notes to the financial statements

12 Goodwill

	£'000
Cost	
At 1 January 2001	6,552
Additions	2,059
At 31 December 2001	**8,611**
Amortisation	
At 1 January 2001	325
Charge in the year	329
At 31 December 2001	**654**
Net Book Value	
At 31 December 2001	**7,957**
At 31 December 2000	6,227

The Group has depreciated its acquired goodwill on a straight-line basis over a period of 20 years which is the estimated useful economic life. The Group will continue to review the estimated useful life of the goodwill acquired.

13 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold property and improvements £'000	Fixtures, fittings equipment and vehicles £'000	Total £'000
Group				
Cost				
At 1 January 2001	**67,509**	**6,883**	**81,081**	**155,473**
Exchange adjustments	-	-	(274)	(274)
Additions	577	2,854	12,408	15,839
Disposals	(39)	(312)	(2,631)	(2,982)
At 31 December 2001	**68,047**	**9,425**	**90,584**	**168,056**
Depreciation				
At 1 January 2001	**1,453**	**4,718**	**39,900**	**46,071**
Exchange adjustments	-	-	(107)	(107)
Charge for year	3,023	966	13,858	17,847
Provision for impairment	-	-	2,099	2,099
Disposals	(22)	(253)	(1,102)	(1,377)
At 31 December 2001	**4,454**	**5,431**	**54,648**	**64,533**
Net book amount				
At 31 December 2001	**63,593**	**3,994**	**35,936**	**103,523**
At 31 December 2000	66,056	2,165	41,181	109,402

	Total £'000
Company	
Cost	
At 1 January 2001	**42,175**
Additions	162
At 31 December 2001	**42,337**
Depreciation	
At 1 January 2001	**(882)**
Charge	(1,596)
At 31 December 2001	**(2,478)**
Net book amount	
At 31 December 2001	**39,859**
At 31 December 2000	41,293

The Company holds no assets under finance leases or hire purchase contracts.

The fixed assets of the Company include the Hatfield Operations Centre.

14 Investments

	2001 £'000	2000 £'000
Group		
Loan to joint venture	**6,250**	4,477
Associated undertakings (a)	**158**	225
Own Shares (b)	**2,503**	2,503
Other listed investments	**4,620**	4,620
	13,531	11,825

	Share of net tangible assets 2001 £'000
(a) Associated undertakings	
At 1 January 2001	**225**
Share of profits of associated undertakings	**(67)**
At 31 December 2001	**158**

The Group's share of post acquisition accumulated profits of associated undertakings at 31 December 2001 is £39,000 (2000: £106,000). The Group has received £1,127,000 (2000: £974,245) from the associated undertakings for the provision of administrative services and the reimbursement of costs incurred.

	2000 £'000
(b) Own shares – at cost	
Cost	
At 1 January 2001 and 31 December 2001	**3,559**
Shares transferred	**(475)**
	3,084
Provided	
At 1 January 2001	**1,056**
Released on transfer	**(475)**
At 31 December 2001	**581**
Net book value	
At 31 December 2001	**2,503**
At 31 December 2000	**2,503**

Notes to the financial statements

14 Investments continued

Own shares comprise the following:

i) Computacenter Employee Share Ownership Plan
1,427,042 (2000: 2,578,042) 5p ordinary shares purchased by a third party on behalf of the Computacenter Employee Share Ownership Plan ("the Plan"). All shares held by the trust are funded by a bank loan guaranteed by Computacenter (UK) Limited (see note 19). The market value of the investment in own shares at 31 December 2001 was £4,923,295 (2000: 8,636,441).

During the year, no shares were awarded (2000: Nil) to the executives of Computacenter (UK) Limited under the Computacenter Limited Cash Bonus and Share Plan. Shares previously awarded are held on behalf of employees and former employees of Computacenter Limited and their dependants, excluding Jersey residents. The distribution of these shares is dependent upon the Trustee holding them on the employee's behalf for a restrictive period of three years.

All costs incurred by the Plan are settled directly by the Group and are charged in the accounts as incurred. The Plan has waived dividends payable in respect of 1,427,042 (2000: 1,427,042) shares that it owns which are not allocated to employees. Any dividends received by the Plan in respect of shares allocated to the beneficiaries would be paid in full to them.

ii) Computacenter Qualifying Employee Share Trust ("the QUEST")
During the year, there were no subscriptions by the QUEST (2000:1,109,143 5p ordinary shares). All of these shares will continue to be held by the QUEST until such time as the options will be exercised. The market value at 31 December 2001 was £3,826,543 (2000: £3,715,629). The QUEST has waived dividends in respect of all these shares.

iii) Computacenter Trustees Limited
During the year, there were no additional shares held by Computacenter Trustees Limited allocated to employees of the Group under the Computacenter Bonus Plus Share plan. The total shares held are 461,011 (2000: 461,011). The market value at 31 December 2001 was £1,590,488 (2000: £1,544,387).

The Company has waived dividends in respect of all of these shares.

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Shares in associated undertaking £'000	Other listed investments £'000	Shares in Joint Ventures £'000	Total £'000
Company						
Cost						
At 1 January 2001	**135,529**	**3,668**	**75**	**4,617**	**25**	**143,914**
Additions	922	-	-	-	-	922
At 31 December 2001	**136,451**	**3,668**	**75**	**4,617**	**25**	**144,836**
Amounts provided						
At 1 January 2001	-	(3,030)	-	-	-	(3,030)
During the year	(15,548)	-	-	-	-	(15,548)
Released	-	914	-	-	-	914
At 31 December 2001	**(15,548)**	**(2,116)**	**-**	**-**	**-**	**(17,664)**
Net Book Value						
At 31 December 2001	**120,903**	**1,552**	**75**	**4,617**	**25**	**127,172**
At 31 December 2000	135,529	638	75	4,617	25	140,884

14 Investments continued

Details of the principal investments at 31 December 2001 in which the Group or the Company holds more than 20% of the nominal value of ordinary share capital are as follows:

Subsidiary and associated undertakings	Country of registration	Nature of business	Proportion held
Computacenter (UK) Limited	England	IT infrastructure services	100%
Computacenter France SA	France	Microcomputer systems	98.3%
Computacenter GmbH	Germany	Microcomputer systems	100%
Computacenter NV/SA	Belgium	Microcomputer systems	100%
RD Trading Limited	England	IT asset management	100%**
Computacenter NV	Luxembourg	Microcomputer systems	100%
ICG International Computer Group BV	Netherlands	Non trading	64.3%*
Biomni Limited	England	Software development	50%
ICG Services Limited	England	International IT infrastructure services	65.2%

* includes indirect holdings of 32.4% via Computacenter (UK) Limited and 31.9% via Computacenter France SA.
** includes indirect holdings of 100% via Computacenter (UK) Limited.

Although the holding of ICG Services Limited has increased to 65.2%, it continues to be treated as an associate because the increase in holding is considered to be temporary.

The Company has not disclosed the details for undertakings which are dormant as disclosure would result in a statement of excessive length.

On 30 November, the Group acquired trade and assets of an element of GE Capital Information Technology Solutions Limited. Analysis of this transaction is as follows:

	Book value £'000	Fair value £'000
Net liabilities:		
Stock	173	173
Fixed Assets	220	220
Integration provision acquired from GE	(1,039)	(1,039)
Goodwill	2,059	2,059
	1,413	1,413
Discharged by:		
Cash	(1,413)	(1,413)

At the year-end, there were no trade balances outstanding between the Group, the associate and the joint venture.

At 31 December 2001, the market value of listed investments was £3,208,500 (2000: £2,208,000).

15 Stocks

	Group 2001 £'000	Group 2000 £'000	**Company 2001 £'000**	Company 2000 £'000
Goods held for resale	**95,385**	119,563	**-**	-

There is no material difference between the balance sheet value of stock and its replacement cost.

Notes to the financial statements

16 Debtors: due within one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Trade debts factored without recourse				
Gross debts	324	508	-	-
Less non returnable proceeds	-	(78)	-	-
	324	430	-	-
Other trade debtors	281,047	317,058	-	-
Amount owed by subsidiary undertaking	-	-	24,653	8,710
Other debtors, prepayments and accrued income	14,466	22,135	127	127
	295,837	339,623	24,780	8,837

Debts factored without recourse in 2000 represented a proportion of the debts of the Group's French subsidiary, which had been factored without recourse but where the Group had retained limited risks in the event of slow payment. The Group was not obliged to support any losses in respect of these debts, nor will it do so.

17 Creditors: amounts falling due within one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Bank overdrafts	17,935	18,512	-	-
Loans (see note 19)	38,117	1,500	38,117	1,500
Trade creditors	187,905	236,742	-	-
Corporation tax	9,780	12,006	-	-
Other creditors including taxation and social security (a)	37,586	46,875	-	-
Amounts owed to subsidiary undertakings	-	-	11,687	-
Accruals	67,383	40,744	396	607
Deferred income	31,606	48,474	-	-
Dividend payable	5,383	5,242	5,383	5,242
	395,695	410,095	55,583	7,349

(a) Included within other creditors is £37,417,950 (2000: £46,783,829) in respect of taxation and social security balances.

18 Creditors: amounts falling due after more than one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Loans (see note 19)	326	38,228	-	37,902
Amounts owed to subsidiary undertakings	-	-	-	10,187
Other creditors	678	353	-	-
Deferred income on maintenance contracts	1,002	923	-	-
	2,006	39,504	-	48,089

19 Loans

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Loans comprise amounts:				
Wholly repayable within five years	**38,639**	40,139	**50,000**	50,000
Less: amounts owed to subsidiary undertakings	**-**	-	**(11,687)**	(10,187)
Less issue costs	**(196)**	(411)	**(196)**	(411)
	38,443	39,728	**38,117**	39,402
Less amounts due within one year	**(38,117)**	(1,500)	**(38,117)**	(1,500)
	326	38,228	**-**	37,902
Analysed as amounts due:				
Within one year	**38,313**	1,500	**50,000**	1,500
Between one and two years	**326**	38,313	**-**	48,500
Between two and five years	**-**	326	**-**	-
	38,639	40,139	**50,000**	50,000
Less issue costs	**(196)**	(411)	**(196)**	(411)
	38,443	39,728	**49,804**	49,589

Group and Company

Loans wholly repayable within one year include £50,000,000 bonds secured by a fixed charge over the Company's investment in the ordinary shares of Computacenter (UK) Limited. The bonds are listed on the Luxembourg Stock Exchange and are repayable in full on 24 November 2002. The rate of interest payable is 10%.

For the Group, the amount repayable is reduced by £11,687,000 (2000: £10,187,000) for the par value of bonds purchased by Computacenter (UK) Limited since the issue of the bond.

The loan due between one and two years includes an amount of £326,000 relating to the Executive Share Option Scheme.

20 Provisions for liabilities and charges

Provisions for joint venture deficit

	2001 Provided £'000	2000 Provided £'000
At 1 January 2001	**2,468**	-
Share of loss retained by joint venture	**1,522**	2,468
At 31 December 2001	**3,990**	2,468

Deferred taxation

Deferred tax provided in the accounts is as follows:

	2001 Provided £'000	2000 Provided £'000
Group and Company		
At 1 January 2001	**1,983**	1,736
Capital allowances in advance of depreciation	**206**	247
At 31 December 2001	**2,189**	1,983

There are no potential deferred tax liabilities that have not been provided for at 31 December 2001 (2000: nil).

Notes to the financial statements

21 Share capital

	2001 £'000	2000 £'000
Authorised		
Equity		
Ordinary shares of 5p each	**25,000**	25,000

	2001 No '000	2001 £'000	2000 No '000	2000 £'000
Allotted, called up and fully paid				
Equity				
Ordinary shares of 5p each	**185,620**	**9,281**	184,026	9,201

Options

Executive Share Option Scheme

During the year, options were exercised with respect to 1,601,273 (2000: 2,536,886) 5p ordinary shares at a nominal value of £80,000 (2000: £127,377) and at an aggregate premium of £1,142,000 (2000: £1,767,000).

Under the executive share option schemes, options remaining outstanding at the year-end comprise:

	Exercise price	2001 Number outstanding	2000 Number outstanding
Exercisable between			
January 2002 – April 2002	25.00p	**80,000**	80,000
January 2002 – May 2003	28.75p	**15,000**	15,000
January 2002 – July 2004	32.50p	**11,000**	111,000
January 2002 – April 2003	25.00p	**3,500,000**	3,500,000
January 2002 – April 2006	41.25p	**889,273**	1,981,546
January 2002 – July 2007	160.00p	**1,168,000**	1,530,000
March 2001 – Mar 2008	300.00p	**684,900**	771,400
May 2002 – May 2008	565.00p	**603,166**	758,571
June 2003 – June 2010	377.50p	**92,000**	92,000
June 2004 – June 2010	377.50p	**66,000**	66,000
June 2005 – June 2010	377.50p	**40,000**	40,000
Sept 2003 – Sept 2010	380.00p	**2,011,467**	2,241,466
March 2004 – March 2011	333.50p	**508,995**	-
Sept 2004 – Sept 2011	245.00p	**250,000**	-
		9,919,801	11,186,983

During the year options in respect of 424,904 shares lapsed, 1,601,273 were exercised and 758,995 new options were granted.

21 Share capital continued

Computacenter Sharesave Scheme

The Company established the Computacenter Sharesave Scheme, which is available to all employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. Under the scheme the following options have been granted and are outstanding at the year-end:

	Share price	Exercise date	Number
Date of grant			
August 1998	£6.70	August 2001	7,122
August 1998	£6.70	August 2003	8,746
September 1998	£4.25	September 2001	504,236
September 1998	£4.25	September 2003	266,113
September 1999	£5.65	September 2002	60,920
September 1999	£5.65	September 2004	18,738
September 2000	£4.35	September 2003	19,169
September 2000	£4.35	September 2005	7,516
January 2001	£3.50	January 2004	354,712
January 2001	£3.50	January 2006	135,346
November 2001	£1.85	November 2004	1,517,423
November 2001	£1.85	November 2006	715,328
			3,615,369

The Group has taken advantage of the SAYE exemption available under UITF 17 in accounting for options granted under the Sharesave scheme.

Computacenter Performance Related Share Option Scheme

Under the Computacenter Performance Related Share Option scheme, options can be granted and those options will be subject to certain performance conditions, designed to produce significant and sustained improvements in the Company's underlying performance. During the year 84,708 options were granted and at 31 December 2001 these were outstanding as follows:

	Exercise price	**2001 Number outstanding**	2000 Number outstanding
Exercisable between			
May 2002 – May 2009	565.00p	**-**	50,441
April 2003 – April 2010	942.50p	**33,156**	33,156
March 2004 – March 2011	333.50p	**84,708**	-
		117,864	83,597

22 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Group					
At 1 January 2000	9,043	57,055	-	102,194	168,292
Shares issued	158	10,513	-	-	10,671
Gift to QUEST	-	-	-	(8,783)	(8,783)
Total recognised gains in the year	-	-	-	39,162	39,162
Equity dividends proposed	-	-	-	(5,269)	(5,269)
At 31 December 2000	9,201	67,568	-	127,304	204,073
Shares issued	80	1,142	-	-	1,222
Total recognised gains in the year	-	-	-	19,312	19,312
Goodwill reinstated on disposal	-	-	-	2,644	2,644
Equity dividends paid/proposed	-	-	-	(5,435)	(5,435)
At 31 December 2001	**9,281**	**68,710**	**-**	**143,825**	**221,816**

Notes to the financial statements

22 Reconciliation of shareholders' funds and movements on reserves continued

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
Company					
At 1 January 2000	9,043	57,055	55,990	3,093	125,181
Shares issued	158	10,513	-	-	10,671
Total recognised gains in the year	-	-	-	3,172	3,172
Equity dividends proposed	-	-	-	(5,269)	(5,269)
At 31 December 2000	9,201	67,568	55,990	996	133,755
Shares issued	80	1,142	-	-	1,222
Total recognised gains in the year	-	-	-	4,497	4,497
Equity dividends proposed	-	-	-	(5,435)	(5,435)
At 31 December 2001	**9,281**	**68,710**	**55,990**	**58**	**134,039**

The cumulative amount of goodwill resulting from acquisitions which has been written off directly to reserves is £79,469,000 (2000: £82,113,000). This goodwill would be charged in the profit and loss account on subsequent disposal of the businesses to which it relates. All shareholders' funds are attributable to equity interests in the Company.

23 Reconciliation of operating profit to operating cash flows

	2001 £'000	2000 £'000
Operating profit	**55,083**	61,407
Depreciation	**17,847**	13,202
Impairment provision	**2,099**	-
Amortisation	**329**	263
Own shares allocated	**-**	176
Loss on disposal of fixed assets	**836**	87
Termination of UK operation – iGroup	**(2,531)**	-
Decrease/(increase) in debtors	**42,983**	(95,130)
Decrease/(increase) in stocks	**24,059**	(26,679)
(Decrease)/Increase in creditors	**(54,755)**	101,053
Currency and other adjustments	**626**	(102)
Net cash inflow from operating activities	**86,576**	54,277

24 Analysis of gross cash flows

	2001 £'000	2000 £'000
Returns on investments and servicing of finance		
Interest received	**7,815**	6,328
Interest paid	**(9,330)**	(8,490)
Interest element of finance lease rental payments	**-**	(2)
Net cash outflow for returns on investments and servicing of finance	**(1,515)**	(2,164)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(17,706)**	(27,467)
Receipts from sales of tangible fixed assets	**769**	579
Payments to acquire intangible fixed assets	**-**	(4,620)
Investment in joint venture	**(1,750)**	(4,475)
Net cash outflow for capital expenditure and financial investment	**(18,687)**	(35,983)

24 Analysis of gross cash flows continued

	2001 £'000	2000 £'000
Acquisitions and disposals		
Payments to acquire interest in subsidiary undertakings	-	(2,728)
Net cash acquired with subsidiary undertakings	-	2,026
Payment to acquire business	(1,357)	-
Termination of German operation	(3,080)	-
Net cash outflow for acquisitions and disposals	(4,437)	(702)

Cash flows relating to termination of operations have been classified under the appropriate headings in the cash flow statement.

	2001 £'000	2000 £'000
Financing		
Issue of ordinary share capital	1,222	1,895
Repayment of term bank loans	-	-
Net repayment of capital element of finance leases	-	-
Less bonds repurchased	(1,500)	(1,500)
Net cash (outflow)/inflow from financing	(278)	395

25 Analysis of changes in net funds

	At 1 January 2001 £'000	Cash flows in year £'000	Other non-cash changes £'000	At 31 December 2001 £'000
Cash at bank and in hand	71,647	38,018	-	109,665
Bank overdrafts	(18,512)	577	-	(17,935)
Debt due within one year	(1,500)	1,500	(38,117)	(38,117)
Debt due after one year	(38,228)	-	37,902	(326)
Total	13,407	40,095	(214)	53,287

26 Other financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001 Land/buildings £'000	2001 Other £'000	2000 Land/buildings £'000	2000 Other £'000
Group				
Operating leases which expire:				
Within one year	557	2,326	1,280	2,169
Between two and five years	829	2,934	2,141	4,161
Over five years	3,782	-	4,066	-
	5,168	5,260	7,487	6,330

27 Capital commitments

At 31 December 2001 all future contracted Group capital expenditure had been provided for (2000: all future contracted Group capital expenditure had been provided for).

Notes to the financial statements

28 Contingent liabilities

The Group has given a VAT deferred import duty guarantee of £250,000 (2000: £250,000).

Computacenter (UK) Limited has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding £1,137,160 (2000: £958,000).

Computacenter plc has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December 2001 is £22,117,000 (2000: £14,814,805).

29 Related party transactions

Group
Biomni, the joint venture between Computacenter and Dealogic Limited, (formerly known as Computasoft Limited), provides the Computacenter e-procurement system used by many of Computacenter's major customers. An annual fee has been agreed on a commercial basis for use of the software for each installation. Total fees paid in the year to Biomni amounted to £3,758,500 (2000: £3,531,087). Both PJ Ogden and PW Hulme are Directors of and have a material interest in Dealogic Limited.

During the year, the Group supplied goods to Dealogic in the normal course of business totalling £376,480 (2000: £883,537). At 31 December 2001 Dealogic owed the Group £25,793 (2000: £9,180 owed by Dealogic).

30 Financial instruments

The Group's approach to managing financial risk is described in the Finance Director's review on pages 18 and 19.

a) Interest rate risk

2001

	At fixed interest rates £'000	At floating interest rates £'000	Interest free £'000	Total £'000
Financial liabilities				
Sterling	38,117	326	-	38,443
Euro	-	17,935	678	18,613
	38,117	18,261	678	57,056

2000

	At fixed interest rates £'000	At floating interest rates £'000	Interest free £'000	Total £'000
Financial liabilities				
Sterling	39,402	326	-	39,728
Euro	-	18,512	1,085	19,597
	39,402	18,838	1,085	59,325

The fixed rate debt has an interest rate of 10% and the weighted average period for which the rate is fixed is one year. The weighted average period for maturity of financial liabilities at 31 December 2001 is one year (2000: two years).

The financial liabilities of the Group comprise:

	2001 £'000	2000 £'000
Fixed rate bonds	**38,117**	39,402
Other borrowings	**18,261**	18,838
Other creditors due after one year	**678**	1,085
	57,056	59,325

29 Financial instruments continued

2001

	At floating Interest rates £'000	Interest free £'000	Total £'000
Financial assets			
Sterling	103,388	-	103,388
Euro	6,277	-	6,277
	109,665	-	109,665

2000

	At floating Interest rates £'000	Interest free £'000	Total £'000
Financial Assets			
Sterling	69,347	-	69,347
Euro	1,771	529	2,300
	71,118	529	71,647

The financial assets of the Group comprise cash and deposits totalling £109,665,000 (2000: £71,647,000). The sterling floating rate assets and liabilities are based on the three month LIBOR rate. The Euro floating rate liabilities are based on the overnight Euribor rate.

b) Currency exposure

The Group does not have any significant currency exposures on monetary assets and liabilities. No Group company holds significant monetary assets or monetary liabilities that are not denominated in the functional currency of the company involved. At 31 December 2001, no forward contracts or swaps of foreign currency were outstanding (2000: nil).

c) Maturity of financial liabilities

	2001 £'000	2000 £'000
In one year or less, or on demand	**56,730**	20,012
In more than one year but not more than two years	**-**	38,987
In more than two years but not more than five years	**326**	326
	57,056	59,325

d) Undrawn committed borrowing facilities

The Group has various available borrowing facilities. The undrawn committed facilities available at 31 December 2001 in respect of which all conditions precedent had been met were £28,723,786 (2000: £30,084,388). All of these facilities are subject to annual review.

e) Fair value of financial instruments

	2001 Book value £'000	**2001 Fair value £'000**	2000 Book value £'000	2000 Fair value £'000
Interests in equities	**4,620**	**3,209**	4,620	2,208
Cash and deposits	**109,665**	**109,665**	71,647	71,647
	114,285	**112,874**	76,267	73,855
Fixed rate bonds	**(38,117)**	**(39,343)**	(39,402)	(41,863)
Other borrowings	**(18,261)**	**(18,261)**	(18,838)	(18,838)
Other creditors due after one year	**(678)**	**(678)**	(1,085)	(1,085)
	(57,056)	**(58,282)**	(59,325)	(61,786)

The fair value of the fixed rate bonds is calculated with reference to the market price of the bonds which at 31 December 2001 were £103.20 per £100 bond (2000: £105.15). The fair value of fixed rate bonds is based on the net amount payable of £38,313,000 (being the full amount payable of £50,000,000 excluding the par value of bonds of £11,687,000) restated using the market price of £103.20 per £100 bond, and excluding the unamortised debt issue costs of £196,000.

31 Post balance sheet event

On 15 February 2002, Computacenter plc completed the purchase of the service business of GE Capital Information Technology Solutions SA for consideration of £738,657.

Five year financial review

	Year ended 31 December				
	1997 £'m	1998 £'m	1999 £'m	2000 £'m	**2001 £'m**
Turnover	1,133.5	1,586.2	1,760.6	1,988.4	**2,093.4**
Operating profit [1]	52.5	66.3	75.6	61.4	**55.1**
Profit on ordinary activities before taxation	47.1	64.6	75.1	55.6	**34.9**
Profit on ordinary activities after taxation	31.1	43.4	53.0	39.2	**19.7**
Diluted earnings per share [2]	17.5p	23.5p	28.1p	20.8p	**17.9p**
Year-end headcount	3,245	4,582	5,618	5,788	**5,894**

[1] Excluding results of overseas associated undertakings

[2] Amended in accordance with FRS redefinition

Summary balance sheet

	Year ended 31 December				
	1997 £'m	1998 £'m	1999 £'m	2000 £'m	**2001 £'m**
Intangible assets	-	-	3.8	6.2	**8.0**
Tangible assets	30.6	59.8	96.6	109.4	**103.5**
Investments	3.0	1.4	2.8	11.8	**13.5**
Stocks	108.2	109.8	92.9	119.6	**95.4**
Debtors	165.8	236.6	244.2	339.6	**295.8**
Cash	13.8	63.6	63.7	71.6	**109.7**
Creditors due within 1 year	(246.6)	(307.4)	(292.8)	(410.0)	**(395.7)**
Creditors due after 1 year	(43.5)	(42.0)	(41.0)	(39.5)	**(2.0)**
Provisions	-	(1.0)	(1.7)	(4.5)	**(6.2)**
Net Assets	31.3	120.8	168.5	204.2	**222.0**

Financial Calendar

Record date:	3 May 2002
Annual General Meeting:	10 May 2002
Dividend payment date:	30 May 2002
Interim Report 2002 mailed to shareholders:	September 2002
Annual Report 2002 mailed to shareholders:	April 2003
Annual General Meeting:	May 2003

Corporate information

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

Company Secretary:
Alan Pottinger FCIS

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