

Our journey

Computacenter plc
Annual Report and Accounts 2010



Boost
productivity
and agility

Reduce
carbon
emissions by
1,239 tonnes

Increase
competitive
advantage



Computacenter
Services & Solutions

Performance

How are we doing against our strategic objectives?

2010 strategic objectives



Progress against 2010 strategic objectives

In 2010 our Group contract base grew by 9.3 per cent in constant currency; evidence that in a difficult economic environment, customers continue to turn to Computacenter for contracted services, to reduce cost and ensure a high quality of service delivery.

We continue to invest and derive value from the Shared Services Factory ('SSF'), our 'industrialised' approach, which helps to standardise customer engagement, service offerings and also reduce the cost of service delivery. This includes investments we have made in our offshore service delivery capability, to take advantage of the lower costs available, such as in South Africa. In addition, we have made significant investments in industry leading tools, which enable us to provide an enhanced service at lower cost in areas such as major incident management and the remote management of datacenter infrastructure.

Key performance indicators

Increase contract base in constant currency £m



+9.3%

Increase revenue per services head £'000/head



+3.0%

Maximising the return on working capital and freeing working capital where not optimally used

Growing our profit margin through increased services and high-end product sales

Ensuring the successful implementation of the Group-wide ERP system

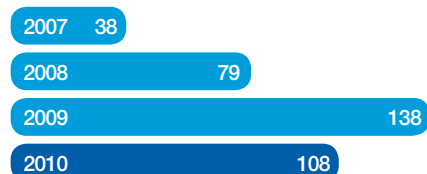
In November 2009, we sold the remaining part of our trade distribution business. This, combined with the use of enhanced procurement tools for purchasing from the distribution marketplace, has enabled a working capital inflow of £21 million for the Group, despite a revenue increase of 6.9 per cent. Overall net cash, prior to Customer Specific Finance ('CSF'), improved from £86.4 million at the end of 2009, to £139.4 million at the end of 2010; a major improvement from the net debt position of £16.2 million at the end of 2007.

Overall, 2010 Group revenue increased by 6.9 per cent, whilst adjusted profit before tax increased by 21.8 per cent. This reflects the success achieved through the sale of the trade distribution business, the growth in higher margin sales to large organisations and growth in services revenues of 6.5 per cent – combined with virtually static selling, general and administration costs. This resulted in EBIT to net revenue (overall revenue less the cost of product for resale) increasing from 6.0 per cent in 2009 to 6.6 per cent in 2010.

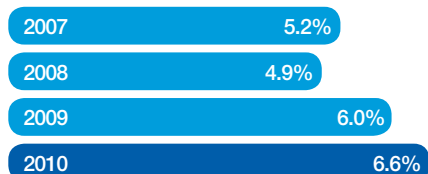
The Group-wide ERP system is an extensive IT implementation, as well as a significant business process change. The system covers virtually all of our operating activities with entirely new resource scheduling, call logging and maintenance systems that are at the heart of our business. In addition, as we are managing the Group-wide implementation, we have had substantial internal discussion to agree the alignment of Group-wide processes, in order to drive maximum efficiency and cost reduction across the Group.

We are pleased to report that Germany, the first country to go 'live' on this system at the end of January 2011, has been implemented without material disruption to the German business. The UK is scheduled to follow during the third quarter, with France in 2012.

Increase adjusted operating cash flow £m



Increase EBIT as a percentage of net revenue*



Delivery against the implementation plan



-21.6%

+0.6pts

* EBIT to net revenue % is defined as adjusted operating profit as a percentage of net revenue. Computacenter defines net revenue as turnover less the cost of product for re-sale recognised as an expense.

Welcome to our journey

Who we are

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

Our journey

We are on a journey to become Europe's best IT company. We will achieve this objective by constantly delivering IT services and solutions that enable our customers to achieve their goals.

Our strategy

Our strategy is to deliver long-term earnings growth. To help measure our success, we have five key strategic initiatives against which to benchmark our performance (see over page).



Highlights of the year

Revenue £bn

2007	2.38
2008	2.56
2009	2.50
2010	2.68

+6.9%

Diluted earnings per share p

2007	18.5
2008	21.0
2009	27.7
2010	33.0

+19.1%

FINANCIAL HIGHLIGHTS

Underlying performance

- Ongoing[^] revenues increased 10.7 per cent to £2.68 billion (2009: £2.42 billion)
- Adjusted* profit before tax increased 21.8 per cent to £66.1 million (2009: £54.2 million)
- Adjusted* diluted earnings per share ('EPS') increased 19.1 per cent to 33.0 pence (2009: 27.7 pence)
- Total dividend for 2010 of 13.2 pence per share (2009: 11.0 pence)
- Net cash prior to customer specific financing ('CSF') was £139.4 million (2009: £86.4 million)

Statutory performance

- Group revenues increased 6.9 per cent to £2.68 billion (2009: £2.50 billion)
- Profit before tax increased 35.1 per cent to £65.4 million (2009: £48.4 million)
- Diluted EPS increased by 30.9 per cent to 32.6 pence (2009: 24.9 pence)
- Net cash after CSF of £111.0 million (2009: £37.3 million)

Adjusted* operating profit £m

2007	41.7
2008	42.1
2009	53.9
2010	64.4

+19.5%

Total dividend per share p

2007	8.0
2008	8.2
2009	11.0
2010	13.2

+20.0%

OPERATING HIGHLIGHTS

- Revenues improved significantly in all our major geographies
- Ongoing[^] Group product revenue grew markedly, up 12.5 per cent (14.7 per cent in constant currency) as a result of strong customer demand for upgraded and improved IT infrastructure
- Our Group annual services contract base grew over 7.1 per cent (9.3 per cent in constant currency) to £539.4 million (2009: £503.6 million) in excess of market growth predictions[#]
- Our Group-wide ERP project remains on track with a successful migration onto the new platform in Germany
- On 15 February 2011 we announced, subject to the approval of the French Competition Board, our agreement to acquire Top Info for an initial debt free cash consideration of €21 million
- Launch of C³Mail, the first in a suite of cloud-based offerings

* Adjusted profit before tax and EPS is stated prior to amortisation of acquired intangibles and exceptional items. Adjusted operating profit is also stated after charging finance costs on CSF.

Source: Gartner.

[^] Ongoing revenues exclude revenues from the disposed Trade Distribution business.

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Overview

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Governance

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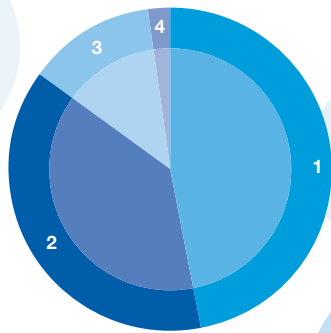
Financial statements

Group overview

A European business transacting across the world

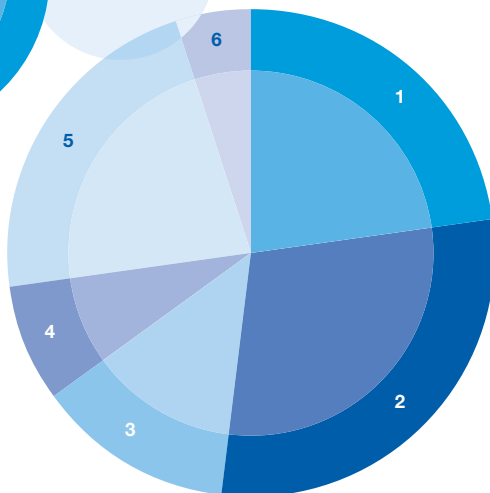


Region	% of Group revenue	Financial highlights
United Kingdom	47%	Revenue £1,265.4m Adjusted* operating profit £43.3m
Germany	38%	Revenue £1,005.8m Adjusted* operating profit £20.5m
France	13%	Revenue £359.6m Operating profit +£1.0m
Benelux	2%	Revenue £45.6m Operating loss -£0.4m



Group revenue by region

1. United Kingdom	47%
2. Germany	38%
3. France	13%
4. Benelux	2%



Group revenue by business type

1. Workplace	23%	Desktop, laptop, monitor, printers, peripherals and consumables.
2. Datacenter & Networking	29%	Intel and Unix servers, storage, networking and security.
3. Software product	13%	
4. Professional services	8%	Professional services delivered by Computacenter.
5. Support and managed services	22%	Support and managed services delivered by Computacenter.
6. Third party services	5%	Third party resold services.

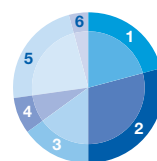
2010 highlights

- Revenues, excluding trade distribution, improved by 10.8 per cent in 2010, to £1.27 billion (2009: £1.14 billion)
- Adjusted* operating profit in the UK increased by 14.5 per cent to £43.3 million (2009: £37.8 million)
- Services revenue grew by 13.9 per cent to £380.5 million (2009: £334.0 million) – services revenues for the total UK market declined by 0.1% in 2010**
- RDC revenues increased by 30.3% to £38.2 million (2009: £29.3 million); profits grew by 30.9 per cent

Contract wins

- Extended existing desktop managed services agreements with AEGON and OB10
- Signed a five-year contract with Waitrose providing hardware support to 269 stores, covering electronic point of sale equipment, back office IT and network devices
- £10 million infrastructure management outsourcing contract agreed with Gatwick Airport; scope includes managing two datacenters at the airport, along with 26 critical IT node rooms
- A large global financial institution selected Computacenter as the sole supplier of cabling installation services to its new EMEA locations

Revenue by business types



1. Workplace	21%
2. Datacenter & Networking	29%
3. Software product	15%
4. Professional services	8%
5. Support and managed services	23%
6. Third party services	4%

- Adjusted* operating profit for the year grew by 8.8 per cent to €23.9 million (2009: €22.0 million)
- Revenue increased by 12.2 per cent to €1,173.1 million (2009: €1,045.1 million) and by 6.2 per cent, excluding the becom business acquired in 2009
- Services contract base grew by 8.7 per cent to €290.0 million (2009: €266.8 million) materially outperforming the German market**
- The integrated becom business has started to deliver real value, especially within the datacenter product business

- Signed a three-year €9 million framework agreement with Dataport for the supply and deployment of Cisco datacenter hardware and related services, consultation work and maintenance
- Volkswagen commissioned Computacenter Germany to implement its Windows 7/Office 2010 strategy
- Union IT Services GmbH renewed an existing outsourcing contract until 2017



1. Workplace	17%
2. Datacenter & Networking	34%
3. Software product	9%
4. Professional services	7%
5. Support and managed services	26%
6. Third party services	7%

- Operating profit of €1.2 million (2009: operating loss €3.1 million), flattered by €1.0 million compared to 2009, by a change in classification of certain French tax expenses
- Strong revenue growth, materially outperforming the French market**, reported revenue increasing by 16.9 per cent to €419.4 million (2009: €358.7 million)
- Product revenue grew by 19.7 per cent; services revenue grew at 4.6 per cent
- Proposed acquisition of Top Info, subject to approval by the French Competition Authority, is anticipated to deliver further revenue enhancement in 2011

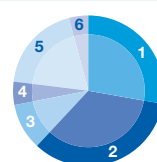
- The French Army, an existing customer, awarded us its comprehensive hardware supply contract
- Product supply contract win for the virtualised workplace environment of Europ Assistance
- Four-year product supply contract with SAE, the Government Purchasing Agency, led by the Minister of Finance
- Agreed a three-year global software licensing contract with EDF



1. Workplace	43%
2. Datacenter & Networking	17%
3. Software product	19%
4. Professional services	6%
5. Support and managed services	11%
6. Third party services	4%

- Adjusted operating loss of €0.46 million in 2010 (2009: loss of €0.85 million)
- Significantly increased revenue, up by 81 per cent to €53.2 million (2009: €29.4 million)
- Integrated the Luxembourg team structure into the German organisation, effective from 1 January 2011

- Awarded a €10.2 million datacenter project by a wireless technology provider; as well as a licensing contract with a market leader in the field of local search and advertising – valued at circa €1.2 million
- VOIP project, worth €0.14 million, for the Red Cross Flanders, and a €0.12 million MS System Center project for De Lijn, a regional public transport provider
- A datacenter technology related contract, for storage implementation, valued at €0.23 million, awarded by Pentair Europe – a leading provider of water solutions and related technical products



1. Workplace	28%
2. Datacenter & Networking	34%
3. Software product	10%
4. Professional services	5%
5. Support and managed services	19%
6. Third party services	4%

* Adjusted operating profit is stated prior to amortisation of acquired intangibles, exceptional items and finance costs on CSF.

**Based on Gartner figures.

Chairman's statement

In 2011, we will continue to invest in our infrastructure, our talents and skills, as well as enhancing our customers' experience.



2010 was another year of strong progress for our Company. Adjusted* profit before tax once more grew by more than 20 per cent. It is worth noting that Computacenter has delivered greater than 20 per cent compound annual growth in earnings per share over the last four years. We gained market share and grew our services revenues by 6.5 per cent. The German business showed great resilience in recovering from a poor first quarter, and our French business became profitable again. We are pleased with this performance, not least because it came as a result of the execution of our strategy, rather than simply as a result of an improving economic backdrop.

If 2009 was about cost and expense reduction and simplifying our structure, then 2010 showed disciplined sales and service delivery. Pleasing as it was, this only confirms that we have the opportunity to do much more in growing share in our chosen markets and improving our profitability in a sustainable way.

In 2011 we will continue to invest in our infrastructure, our talents and skills as well as enhancing our customers' experience. We are on course to successfully implement a single Group-wide ERP system, the major benefits of which will not manifest themselves until 2012 and beyond. Our efforts to 'industrialise' our services are already showing margin improvement and better customer satisfaction and are

designed to create long-term competitive advantage. The services contract base upon which these improvements operate grew by more than seven per cent in 2010 and the benefits will increase as time passes. We will continue our relentless focus on cost and expense management while supporting these significant investments.

This year marks the 30th anniversary of the founding of Computacenter. Since then the Company has grown considerably in size and this evolution has required Computacenter to adapt to the ever changing legislative environment. We have in place a governance framework, aligned to the principles of the UK Corporate Governance Code, not simply because we must do so, but rather because it is the right thing to do. In this regard, I draw your attention to pages 30 to 34 of this report and give you my commitment to uphold the merits of the Code, as it applies to Computacenter.

I thank all of our employees for their efforts and our customers for their business. We have much to do in 2011, on our journey of continuous improvement, to achieve our potential.

Greg Lock
Chairman

*Adjusted profit before tax and EPS is stated prior to amortisation of acquired intangibles and exceptional items.

Operating review

Computacenter has again delivered a strong profit performance in 2010. This leaves us confident that Computacenter continues to meet the IT investment needs of our customers and is evidence that our customers rely on Computacenter to help them in reducing their operating costs, over the longer term.



Computacenter has again delivered a strong profit performance in 2010. Group adjusted* profit before tax grew by 21.8 per cent to £66.1 million (2009: £54.2 million). The Group's adjusted* diluted earnings per share ('EPS') grew by 19.1 per cent to 33.0 pence (2009: 27.7 pence), primarily due to this increase in profitability. We have delivered in excess of 20 per cent compound annual EPS growth over the last four years.

On a statutory basis, taking into account amortisation of acquired intangibles and exceptional items, Group profit before tax increased by 35.1 per cent to £65.4 million (2009: £48.4 million) and diluted EPS increased by 30.9 per cent to 32.6 pence (2009: 24.9 pence).

Group revenue, as reported, increased in 2010 by 6.9 per cent to £2.68 billion (2009: £2.50 billion). After the significant product revenue decline experienced in 2009, during 2010 customers embarked on refreshing, upgrading and improving their IT infrastructures. This resulted in strong Group product revenue growth of 12.5 per cent or 14.7 per cent in constant currency, excluding the effect of the CCD disposal towards the end of 2009, but including the acquisitions made late in 2009. This growth was achieved steadily over the year as a whole and we also believe that, subject to performance of the overall macroeconomic conditions, growth should continue during 2011.

Group services revenue, as reported, increased by 6.5 per cent and 8.7 per cent in constant currency. Different to the product revenue growth, the services revenue growth was achieved, as expected, largely during the second half of 2010. Particularly pleasing, as this is fundamental to the long-term success of Computacenter, is that the annual services contract base at December 2010, has increased by 7.1 per cent on the services contract base level at December 2009 and 9.3 per cent in constant currency. This leaves us confident that Computacenter continues to meet the IT investment needs of our customers and is evidence that our customers rely on Computacenter to help them in reducing their operating costs, over the longer term. The Group annual services contract base stood at £539.4 million at the end of the year (2009: £503.6 million).

In 2009, we reduced operating expenses ('SG&A') by over £30 million in constant currency and the increase gained in operational leverage has in no small way contributed to these encouraging results. Furthermore, the early indication of improving corporate capital expenditure, first detected some 12 months ago, has persisted, to the extent that we have now gained a high level of confidence that Computacenter's progress is sustainable and not of a short-term nature. The Group incurred no exceptional costs during 2010 and this should, in all likelihood, continue until the ERP benefits start being realised.

Our balance sheet has further strengthened considerably. At the end of the year, net cash prior to Customer Specific Financing ('CSF') was £139.4 million (2009: net cash of £86.4 million). Including CSF, net funds were £111.0 million (2009: £37.3 million). This material improvement in our cash position was primarily due to increased profitability and prudent working capital management, which we believe is largely sustainable. However, the figures are flattered by approximately £38 million (2009: £30 million) with the continuation of extended credit terms from one of our major vendors, which have been made available to all of their business partners. These terms could return to normal in the second half of 2011.

The Board has decided to recommend a final dividend of 9.7 pence, bringing the total dividend paid for 2010 to 13.2 pence, representing a 20 per cent increase on the 2009 total dividend paid of 11.0 pence. The increase in dividend is broadly consistent with our stated policy of maintaining dividend cover within our target range of 2 to 2.5 times. Subject to the approval by shareholders at the Annual General Meeting ('AGM') on 13 May 2011, the proposed dividend will be paid on 10 June 2011 to shareholders on the register as at 13 May 2011.

Our offerings continue to gain momentum in the market, as customers choose to outsource IT infrastructure support selectively, rather than opting for a comprehensive IT outsourcing contract or undertaking the work in-house. Service desk offshoring remains an attractive offering and we continue to invest in the expansion of this resource. We currently employ in excess of 750 staff, outside of the UK, Germany and France, primarily within our multi-language service desk in Barcelona and for an English speaking desk in Cape Town. These facilities are making significant contributions towards fuelling the growth in contractual services, through addressing the increased demand from customers for global and multi-lingual service delivery.

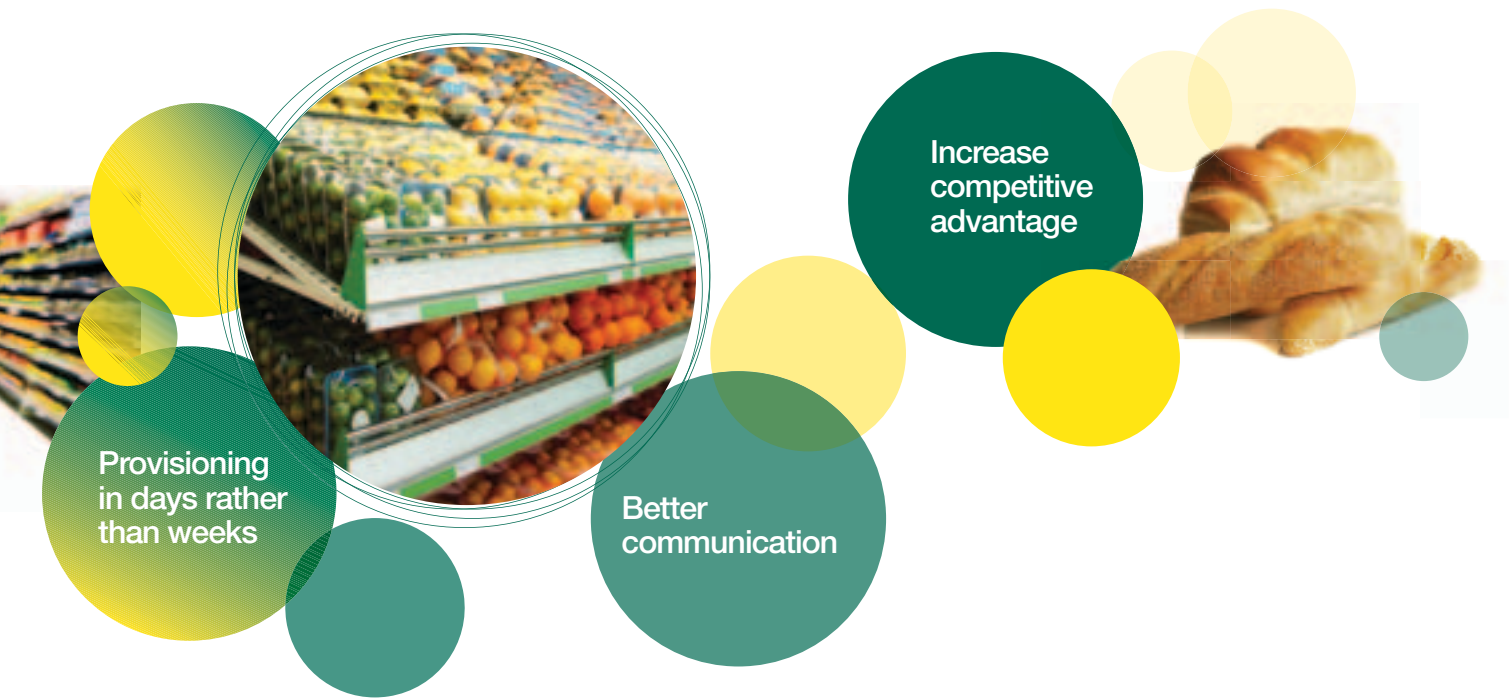
Over the last two years, we have done much to identify those Computacenter offerings, where we have competitive advantage and for which there is market appetite. We believe that this is where our future success lies and our focus is on repeating delivery of these offerings, in an efficient and high quality manner. We are investing into tools and processes, which support repetitive delivery of these services, whilst ensuring efficiency and quality.

As the infrastructure demands of our customers grow, so their appetite for increased efficiency solutions has also grown. This has been the driving force behind the notable interest in cloud related services. Computacenter has responded with the recent launch of C³Mail, the first in a suite of cloud-based offerings.

We maintained good progress in preparing for our Group ERP implementation. During the first week of February 2011, the Release 1 migration onto the new platform in Germany was delivered, without material disruption. However, the remainder of 2011 will be important, as migration of the UK system is scheduled to follow during the third quarter. The Release 1 migration has significantly reduced implementation risk, as the lessons we have learnt will assist during the subsequent migrations. As our people become familiar with the system, the benefits related to a single Group-wide system will start to materialise. Due to the commencement of the ERP depreciation, we will incur an incremental charge of £3 million in 2011.

We did not make any acquisitions during 2010, but on 15 February 2011, we announced that our French business had agreed to acquire Top Info, subject to the approval of the French Competition Board. Top Info will be acquired for an initial debt free cash consideration of €21 million, with a further €1 million payable, subject to the financial performance of the Top Info business in the period to end December 2011. A further circa €15 million will be paid on the closing date, for the cash on Top Info's balance sheet at that time. We believe that Top Info's attractive customer portfolio in France will provide our French business with new opportunities to deploy its services and infrastructure solutions further, whilst at the same time, strengthening its presence within the IT infrastructure supply market to large French corporations and the Government.





Computacenter helps Morrisons increase competitive advantage with optimised IT

“Computacenter helps us optimise our IT systems and services so we can respond more effectively to demand from our customers. With its industrialised processes and broad skills base, it has also helped us make financial savings.”

Gary Barr,
IT Director,
Morrisons Plc



MORRISONS

Customer challenge

To retain its position as the UK’s fourth largest retailer, Morrisons must ensure its 439 stores, 15 distribution sites and 16 warehouses are supported by highly available IT systems. In particular, the retailer’s 131,000 employees need continuous access to the Internet, email and other desktop-based services. The retailer also needs to ensure store shelves remain well stocked by enabling rapid product picking at its warehouses.

Computacenter solution

We have helped Morrisons transform its IT infrastructure, resulting in reduced cost and complexity. From designing a new email platform and implementing a virtual desktop environment to deploying mini datacenters to support a new warehouse solution, Computacenter has assisted with a wide range of IT projects. We also provide ‘cradle to grave’ desktop services, including procurement, configuration, maintenance and disposal.

Results

Morrisons’ staff now have faster and more reliable access to the technologies they need. For example, new desktops can now be provisioned in five days instead of four weeks. This, along with improved email availability, has increased staff productivity resulting in greater competitive advantage. The retailer has also been able to reduce desktop support costs and power consumption.

Helping Severn Trent Water to cut costs and boost efficiency with flexible working initiative

“The IT transformation has enabled a step change in our working practices. By embracing new technologies we can also improve the quality and delivery of customer services, which supports the company’s goal of highest standards, lowest charges and great people – in other words ‘being the best’.”

Myron Hrycyk,
Chief Information Officer,
Severn Trent Water



Customer challenge

Severn Trent Water has embarked on a ground-breaking IT project that will enable it to adopt flexible working practices – increasing staff productivity and reducing costs. The project is part of the company’s business transformation programme, which is designed to turn it into the best water company in the UK, with the lowest charges, highest standards and great people.

Computacenter solution

The IT transformation extends from the datacenter to the desktop and includes new solutions for back-up, security, storage, networking and IT management, as well as Microsoft Windows 7. The new operating system will support a Citrix virtual desktop infrastructure that will enable Severn Trent Water to support home working and desk-sharing – this is crucial as the company’s new office and wider accommodation programme is designed around a mobile workforce.

Results

By standardising, consolidating and virtualising its infrastructure, Severn Trent will be able to reduce the total cost of ownership of IT and create a more predictable expenditure profile. It will also be able to provide a better user experience by equipping staff with the latest productivity tools and ensuring reliable access to critical applications, such as the company’s recently implemented SAP Enterprise Resource Planning system.



UK

Revenue

£1,265.4m

Adjusted* operating profit

£43.3m

Excluding the effect of the exit of trade distribution in 2009, UK revenues improved by 10.8 per cent in 2010, to £1.27 billion (2009: £1.14 billion). This increase was delivered by healthy revenue growth in both the product and services businesses and was largely attributable to the continuing and increasing capital expenditure of our customers. The rate of this increase in revenue was broadly consistent over the year, without a significant revenue spike in the fourth quarter and no obvious increased demand driven by the VAT rate change, but certainty in this regard is impossible.

Computacenter UK's services revenue grew by 13.9 per cent to £380.5 million (2009: £334.0 million).

Adjusted* operating profit in the UK increased by 14.5 per cent to £43.3 million (2009: £37.8 million). This profit growth flowed from the strong increase in revenues, as well as some services margin improvement. We also continue to enjoy leverage from the cost savings made in 2009.

SG&A in 2010 increased by £3.0 million, from the significantly reduced base in 2009. This increase was largely due to investment into our Services capability, aimed at improving our delivery and as would be expected, higher commissions were also earned by our sales teams during the year.

Computacenter UK's services revenue grew by 13.9 per cent to £380.5 million (2009: £334.0 million), whereas services revenues for the total UK market declined by 0.1 per cent in 2010, according to Gartner figures. Revenue performance in contractual services was encouraging, as anticipated, accelerating towards the end of the year as new contract wins became active. Particularly pleasing was the increase in the contractual services base, as it serves as an encouraging lead indicator for this business' revenue into 2011 and beyond. A clear indication of the return of capital expenditure into the market can, in part, be seen in the strong revenue growth achieved in the Professional Services Business.

Together with growing the contract base, our focus on retaining and ideally, expanding our activities with existing customers, is also delivering success. For example, we extended our desktop managed services agreement with AEGON – to whom we've been providing IT support for over 10 years, with a continued end-to-end infrastructure outsource worth over £12 million for a further five years until October 2015. We have also renewed our relationship with OB10, the global e-Invoicing company, for a further five years. The scope of this contract, worth £6 million, has been expanded to incorporate our multi-site datacenter offering.

We were also successful in winning a number of new services contracts. We signed a new five-year, £10 million infrastructure management outsourcing contract with Gatwick Airport. The scope of work includes managing two datacenters at the airport, along with 26 critical IT node rooms.

The infrastructure will be monitored and managed initially, from our facility in Hatfield and in the future, from Cape Town, with an onsite support presence at the airport. The airport operator will have access to scalable and agile support models, as well as our offshore capability and in the future, access to 'utility' based computer provisioning.

Waitrose, the leading high street retailer, awarded us a five-year support contract. Under the agreement, Computacenter will provide hardware support to 269 stores, covering electronic point of sale equipment, as well as back office IT and network devices. The service will ensure availability of critical devices and also deliver increased efficiency for Waitrose.

RDC, our subsidiary which provides its customers with secure and environmentally appropriate solutions to their end-of-life IT equipment, once again delivered exceptional performance, with overall revenue up by 30.3 per cent to nearly £38.2 million (2009: £29.3 million), while profits grew by 30.9 per cent.

To an increasing extent, IT infrastructure refreshes require physical cabling solutions, prior and during projects. This is evidenced by the 73 per cent increase in contribution of our cabling business on the previous year. A large global financial institution is due to relocate a large number of its current premises across Europe, the Middle East and Africa ('EMEA') and Computacenter's cabling team has been selected as the sole supplier of cabling installation services to all the new EMEA locations.

Throughout 2010, Computacenter UK has continued to win and deliver more critical contracts, enabling our customers to operate a resilient infrastructure and to reduce their operating costs. These contracts increase the opportunity of retaining such customers over the longer term.

Better user experience



Germany

Revenue

£1,005.8m

Adjusted* operating profit

£20.5m

In Germany, overall adjusted* operating profit for the year, grew by 8.8 per cent to €23.9 million (2009: €22.0 million). This result represents a strong recovery from the slow start to the year, when adjusted operating profit declined by 46.7 per cent, compared to the 2009 first half result.

2010 can be viewed as a year of two halves. The expiry of some larger contracts at the end of 2009, as well as general hesitancy in the market for capital expenditure, resulted in reduced services revenue in the first half of 2010, although there were early signs of recovery towards the end of this period. Market confidence improved substantially in the second half of the year, with IT infrastructure investment into both services and products accelerating towards the end of the year, with a particularly strong revenue performance in December 2010. For the year as a whole, in local currency and including the acquired becom business, revenue increased by 12.2 per cent to €1,173.1 million (2009: €1,045.1 million) and by 6.2 per cent, excluding the becom business which was acquired in 2009.

Our services contract base grew by 8.7 per cent to €290.0 million (2009: €266.8 million). Both new and existing customers invested in high-end products combined with our service offerings.

We signed a three-year framework agreement, valued at circa €9 million with Dataport, for the supply and deployment of Cisco datacenter hardware and related services, including consultation work and maintenance provision.

Intelligent workplace and communication solutions also combine our product and service offerings. Volkswagen commissioned Computacenter Germany to implement the car manufacturer's Windows 7/Office 2010 strategy. The overall project lays the foundation for the future workplaces at the Volkswagen Group, worldwide.

Union IT Services GmbH, as the IT services provider to the financial service company Union Investment, a leading real estate investment manager in Europe for private and institutional investors, renewed the outsourcing contract with Computacenter Germany, until 2017. This end-to-end outsourcing contract has been expanded to include the implementation and operation of a new and flexible IP telecommunication centre, as part of its unified communication and collaboration solution.

Market confidence improved substantially in the second half of the year, with IT infrastructure investment into both services and products, accelerating towards the end of the year, with a particularly strong revenue performance in December 2010.

The integrated becom business has started to deliver real value to Computacenter Germany's overall business, especially within the datacenter product business, which has seen much healthier activity than last year. Additionally, a close relationship with Microsoft has contributed to Computacenter Germany's recent certification as a Microsoft Voice Specialist, in addition to the existing certification as a Cisco Master Unified Communication Specialist.

It is the first time in Germany that any provider has been awarded both certifications and our response to current market requirements for multi-vendor communication solutions has been materially enhanced. Our overall relationship with Cisco continues to grow, culminating in the award of 'Cisco Enterprise Partner of the Year-Europe'.

Revenue growth in the second half of 2010 was, in part, derived from our reorganisation activities in the first six months. The managed services delivery structures were integrated into a new Managed Service Factory and the product and services portfolios were merged. These changes enabled Computacenter Germany to maximise its opportunities on the economic rebound and even grow in excess of the German market in 2010.

We are pleased with our overall performance for the year, especially as many of our senior staff members were focused on the design and implementation work for a smooth ERP system migration. This was achieved in early January 2011, an event which will provide lessons for the rest of the Group's future migrations.



Supporting
future growth

Greater
staff
productivity

Computacenter cabling solution boosts productivity and agility for IKEA

“The cabling project had to be carried out on a busy building site that was not yet wind or rainproof, where dozens of other contractors were working at the same time. Computacenter still managed to ensure that our infrastructure was ready in time and to specification.”

Ken Struelens,
IT Manager,
IKEA Belgium



Customer challenge

To provide an exceptional retail experience at its 301 stores, IKEA needs to ensure its 123,000 employees have continuous access to business-critical systems and information. To safeguard connectivity, IKEA needed to equip their new head office with a robust cabling environment and also equip their 20,000+ m² flagship store with wireless access points covering the complete surface.

Computacenter solution

We deployed a flexible and cost-effective structured cabling environment at IKEA's new Belgian store and office. Thanks to our extensive cabling experience, we were able to mitigate implementation risks and work alongside other contractors to ensure that the installation was completed on time for the store opening.

Results

IKEA is able to maximise data throughput at its head office and new store, contributing to greater staff productivity and higher customer service levels. The cabling infrastructure has been scaled to support future growth in users, IT devices and access points, which increases business agility and facilitates change. A future-proofed and flexible cabling environment will also help IKEA avoid capital expenditure.



BAA makes cost savings of more than £1.8 million with agile virtualised datacenter

“By virtualising our production systems we have been able to make a significant contribution to the company’s strategic goals for IT simplification and cost reduction while achieving greater business agility and IT performance, which is critical to the running of BAA’s airports.”

Terry Fusco,
Head of IT,
Heathrow, BAA



Customer challenge

As part of its efforts to reduce operational expenditure, BAA is currently undergoing an IT simplification programme. The sale of Gatwick Airport highlighted the need for a more flexible IT infrastructure, BAA decided to virtualise its production datacenters to meet both its agility and cost reduction goals. With all the airport operator’s key services reliant upon datacenter availability, it was crucial that BAA could minimise the risks associated with the project.

Computacenter solution

BAA partnered with Computacenter to design, plan and implement a new virtual datacenter (‘VDC’) based on HP and VMware technologies. Computacenter assisted at every stage of the project – from evaluating BAA’s existing datacenter environment and the best workloads to migrate to the virtual devices to testing and integration. The VDC includes in-built disaster recovery capabilities as well as network virtualisation to maximise uptime and flexibility.

Results

The VDC has enabled BAA to reduce its production environment by 246 servers, with spare capacity to support future growth. This has contributed to cost savings of £1.8 million. The new infrastructure will also reduce carbon emissions by 1,239 tonnes a year, minimise risk and enable greater business agility.



France

Revenue

£359.6m

Operating profit

+£1.0m

Computacenter France delivered an operating profit of €1.2 million (2009: operating loss €3.1 million), flattered to the extent of €1.0 million, when compared to 2009, by a change in classification of certain French tax expenses, from administration expenses in 2009, to income tax expense in 2010.

We achieved strong revenue growth, materially outperforming the French market, with reported revenue increasing by 16.9 per cent to €419.4 million (2009: €358.7 million). Although both services and product revenue growth outperformed their respective markets, product revenue grew by an impressive 19.7 per cent, whilst services revenue growth was lower, at 4.6 per cent. Services now represent 16.5 per cent (2009: 18.4 per cent) of the total business.

We achieved strong revenue growth, materially outperforming the French market, with reported revenue increasing by 16.9 per cent to €419.4 million (2009: €358.7 million).

Product growth resulted mainly from increased higher-end enterprise and software sales. Enterprise revenue growth in the year, by 53 per cent, was partly due to the success in up-scaling our enterprise service offerings. The French Army, an existing customer, additionally awarded us a comprehensive hardware supply contract to support their storage consolidation and virtualisation project, from conception to roll-out and training, which supply is due to continue through 2011. There was further evidence of encouraging growth in enterprise sales in the product supply contract win for the virtualised workplace environment of Europ Assistance, a major international provider of insurance and assurance services.

Towards the end of 2010, we won a four-year product supply contract with SAE, the Government Purchasing Agency led by the Minister of Finance. EDF, a major energy utilities company, has also awarded Computacenter France a three-year global software licensing contract with two extension options of one year each.

Our services business in 2010 grew at a slower rate than in 2009. However, while no significant existing contracts were lost during 2010, we experienced a natural erosion of revenue from older maintenance contracts and new wins had not yet started contributing revenue. This resulted in a margin decline of 0.1 per cent in local currency, in contractual services. Encouraging though was the 15.3 per cent growth in professional services revenue, which should be a natural consequence of strong product revenue growth, but which has not previously been realised in France, to this extent.

SG&A expenses were held flat through effective controls and external costs were reduced sufficiently, to allow for investment in enhancing and up-skilling our salesforce. We rolled out an opportunity management tool to enhance potential customer engagement across the Company and we created a sales specialist team to provide technical support to the salesforce.

Additionally, we comprehensively reviewed the salesforce incentivisation mechanisms, resulting in changes to individual targets and other incentive structures. Whilst this investment was aimed at sales acceleration into 2011 and beyond, there have been clear signs of early successes, making us confident of further organic growth and profitability in 2011. In addition, the proposed acquisition of Top Info, subject to approval by the French Competition Authority, is anticipated to deliver further revenue enhancement in 2011.

Benelux

Revenue

£45.6m

Operating loss

-£0.4m

The Benelux operation showed an adjusted operating loss of €0.46 million in 2010 (2009: loss of €0.85 million), resulting from an operating profit for Belgium and the Netherlands of €0.49 million (2009: loss of €0.45 million) and an operating loss for Luxembourg of € 0.95 million (2009: loss of €0.39 million).

The business in Belgium and the Netherlands delivered significantly increased revenue, up by 90.8 per cent to €49.6 million (2009: €26.0 million), largely derived through product sales. However, a material proportion of this revenue was derived from a single, one-off sale. Services revenues increased by 3.3 per cent to €9.6 million (2009: €9.3 million) and our managed services business maintained a stable long-term contract base.

This business has strengthened its competitive position by combining its local presence with international shared services facilities for licensing, service desk and datacenter activities. This has allowed the business to compete for and win, major product and licensing contracts, as is evidenced by a €10.2 million datacenter project to a high profile wireless technology provider, as well as a licensing contract with a market leader in the field of local search and advertising, valued at circa €1.2 million.

Continued investment into our Professional Services offering enabled some project contract wins in the fields of unified IP communications; for example, a €0.14 million VOIP project for the Red Cross Flanders, as well as in Microsoft technologies, as evidenced by a €0.12 million MS System Center project for De Lijn, a regional public transport provider. Additionally, a datacenter technology related contract, for storage implementation, with a value of €0.23 million was awarded by Pentair Europe, a leading provider of water solutions and related technical products.

In Luxembourg, a restructuring project, at a cost to the profit and loss account of circa €0.48 million, was undertaken to reduce the future cost base significantly and to enhance focus on growing the long-term managed services contract base. An early success, in this context, is evident from having been awarded a two-year contract, valued at €0.47 million, by Enovos, a gas and electricity utilities company.

In recognising the business needs of our local customers, we integrated our Luxembourg team structure into the German organisation, effective from 1 January 2011. Going forward, performance of the Belgium and Netherlands based businesses will be reported separately from the Luxembourg business, the latter which will be reported as part of the German business performance.

Outlook statement

We believe that 2011, as a whole, will be a year of continuing improvement for Computacenter's performance. As we state every year, it is always a challenge drawing any meaningful conclusions about the new financial year until we have completed at least the first quarter. This year, drawing conclusions from comparisons with prior first quarter results, will be particularly difficult. In the first quarter of 2010 in the UK, we had very buoyant market conditions and a large one-off contract, which flattered revenue to a greater extent, than profit. This is a marked contrast to Germany, where the comparison is materially easier, due to their challenging start to 2010.

We believe that 2011, as a whole, will be a year of continuing improvement for Computacenter's performance.

Looking further ahead, we believe there are a number of growth drivers which Computacenter will be able to take advantage of. End user demand for new technology is driving the requirement for investment in corporate IT infrastructure, helped by economic improvement within our customers' markets. Our services marketplace continues to grow, albeit at a modest pace, but we feel increasingly confident about our ability to continue to outperform the market. This reflects our customers' desire not to outsource to a single supplier, but to 'smart source' best of breed suppliers, playing to Computacenter's strengths. We believe that these growth drivers, coupled with the opportunity to further reduce our operating cost over time due to our investment in systems, will enable Computacenter to continue our earnings momentum.



Mike Norris
Chief Executive

*Adjusted profit before tax and EPS is stated prior to amortisation of acquired intangibles and exceptional items. Adjusted operating profit is also stated after charging finance costs on CSF.



Computacenter helps Best Buy UK open new stores on time with repeatable IT solution

“By creating a repeatable and reliable yet customisable approach for implementing IT at our new stores, we are able to respond more quickly to customer demand and market changes.”

Trevor Lynch,
Head of IT,
Best Buy UK



Customer challenge

Best Buy Europe is a joint venture between The Carphone Warehouse and the US-based electronics retailer Best Buy Co. Inc, and is designed to make it easier for consumers to purchase technology. To meet its growth aspirations, Best Buy UK needed to launch its first ‘big-box’ stores in a short timeframe. Technology is fundamental to successful day-to-day retail operations and must be provisioned to a high standard with transparent costs from the outset.

Computacenter solution

We developed a robust ‘new store in a box’ solution for Best Buy UK, which will ensure a consistent level of IT quality and governance across its retail estate. Computacenter is responsible for provisioning, staging, configuring and installing the store infrastructure, which includes point of sale devices, desktops, printers, cabling, network connections and servers. We are also providing ongoing support under a three-year contract.

Results

By partnering with Computacenter, Best Buy UK has removed both unnecessary cost and complexity from the launch of new stores. As a result, it was able to guarantee the on-time opening of its first six UK stores in 2010. As well as delivering guaranteed costs, the Computacenter solution also supports continuous improvement.



Market overview

Outperforming the market

Author:
John Simcox, Current Analysis



-0.1%
Decline in value
in total UK IT
market in 2010

-2.3%
Decline in value
in total mainland
Europe IT market
in 2010

+13.9%**
Computacenter UK services
revenue growth in 2010

+4.3%**
Computacenter mainland
Europe services revenue
growth in 2010

2010 was a challenging year for many organisations and companies delivering technology related products and services were not immune from it. Economic recovery, whilst welcome, was often patchy and the onset of Government public sector borrowing built up during the previous few years – dampened commercial and consumer confidence. Despite this, the IT Services segment of the marketplace in which Computacenter operates, saw only a modest overall decline in value, and specifically was almost flat in the UK (0.1 per cent decline) and a 2.3 per cent decline for mainland Europe* (Germany, France and Benelux).

The IT industry, as a whole, is in some ways well used to dealing with a market that is declining. It is almost taken as a given that the technology product you buy today will be superseded in the near future by a new version offering more features and more performance at a lower price. Against this background, the sector constantly has to look at ways to create new opportunities to expand the adoption of technology, in order to grow the overall size of the market. In part, the cause of the decline in the cost of technology also creates the opportunity, as solutions previously thought to be too complex or expensive become both possible and affordable.

For the IT Services sector, the impact of external events resulting in an economic downturn is not always negative. Firstly, traditional IT Services contracts are usually for a number of years and therefore, the impact of any downturn in the past few years is only really seen when these contracts are being renewed or new contracts negotiated – and not so much in the revenue derived from existing contracts. This does, of course, present the potential for the recessionary effect to be felt in the services sector for a number of years after the economy returns to growth.

However, dealing with and also exiting from an economic downturn also presents opportunities. As companies seek to respond to the tougher market conditions, which challenge the potential for maintaining – let alone growing – revenue, they look at ways of operating more efficiently and reducing costs, so that they can maintain or even grow profitability. The provision of IT, along with changes in the way that IT is used by the business, are often amongst the ways in which companies look to make efficiencies. As such, there is the real potential for any reduction in the value of contracts to be more than offset by the decision to increase the utilisation of IT within the organisation. Figures from a number of research agencies support this with the market seeing a slight downturn in 2010, but returning to growth, albeit modest, in 2011.

Cloud computing brings to an end the claim of smaller enterprises that outsourcing is not for them, because they are too small.

One area that is expected to see a lot of attention in 2011 and beyond, is cloud computing. Much hyped for a number of years, the market is now starting to see real traction and that can be expected to grow significantly in the future. The cloud computing marketplace is itself very diverse with a variety of options open to the customer, whether 'Public': enabling customers to access a (usually shared) facility provided by the supplier; or 'Private' where the facility is dedicated to one customer and (often) on the customer's premises – where it is managed and operated by the chosen supplier. Within the cloud environment, the customer can access and use applications on a simple 'pay as you use' basis or alternatively, obtain the core IT infrastructure upon which to place and run bespoke applications.

Cloud computing brings to an end the claim of smaller enterprises that outsourcing is not for them, because they are too small. For many, cloud computing provides a very cost effective and highly flexible solution for meeting the changing IT needs of smaller organisations. The flexibility that the customers crave from adopting cloud-based solutions does have an impact on the supplier sector in that the revenue stability that the industry has enjoyed due to the long-term nature of the contracts will not be there, increasing suppliers' exposure to economic fluctuations.

It would be wrong to imply that the whole market is moving to cloud-based solutions and that the days of companies buying hardware, software and the associated implementation and maintenance services are finished. Organisations, even those who have adopted cloud-based services, will continue to invest in hardware and software as well. The challenge for the IT industry is that there continues to be price erosion, especially when it relates to CPU performance and storage capacity. If therefore, a company is to grow (or even simply maintain) its revenues in this area it needs to be able to also offer a range of quality product related services. It would also be wrong to suggest that the product related market had become stagnant as a result of the economic issues. Organisations will continue to refresh their equipment base, as failure to do so could have serious consequences for the operational efficiency of the business and its ability to capitalise on the latest software availability.

One area that is seeing significant interest at present is what could be termed the consumerisation of corporate IT.

One area that is seeing significant interest at present is what could be termed 'the consumerisation of corporate IT'. With the advances seen in the capabilities of devices such as smartphones and tablet based computing devices, which were primarily developed for the consumer market, increasingly, corporate IT departments are being required to support and even integrate these devices into the IT real estate. This again presents a commercial opportunity for the

IT industry to provide the necessary services in order to successfully and securely integrate these new devices into the corporate environment, in particular ensuring that the user experience of the device is retained.

In 2010, the corporate sector began the wholesale adoption of Microsoft Windows 7; it is to be expected that this will continue to gather pace in 2011, especially as Microsoft encourages organisations to move away from its older Windows XP and Windows Vista products. This change in operating system, along with the availability of Microsoft Office 2010, will act as a catalyst for the refreshing of hardware and other software being used across the customer base. For many IT service organisations, especially those with product related divisions, this presents a further revenue opportunity.

The public sector, regardless of country, has always been a significant part of the IT marketplace. As with the commercial world, 2010 was a year in which expenditure by the public sector on IT came under the microscope, with projects re-examined to determine whether they offered value for money. The change of Government in the UK made this re-appraisal process more acute than some other European countries, although countries in the Eurozone had their own public finance issues to contend with, but the outcome was broadly similar: IT expenditure closely reviewed and in some cases, contracts cancelled or renegotiated. As with the private sector, IT in the public sector can also be an enabler to drive efficiency and, as such, it is to be expected that in the coming year there will be new opportunities for IT companies to engage with the public sector.

In the UK, there are some specific initiatives that have the potential to change the supplier landscape for the public sector. There is a stated intention to open up the market to companies other than the few very large IT companies dominating the sector today. To date, IT projects undertaken by central Government have tended to be of such a scale that only the very largest players have the scale of operation to be considered as suppliers. Highly publicised project failures have illustrated that even these large companies may not necessarily provide the answer. Going forward, it is expected that large Government projects will be made more modular in scope and thus accessible to smaller companies, who often have the innovative ideas that really make a difference.

In the UK there are some specific initiatives that have the potential to change the supplier landscape for the public sector.

The UK Government is also expected to establish its own cloud computing environment (often referred to as 'G-Cloud'), in order to encourage sharing of applications currently used by one department across other departments – rather than individual departments incurring the cost of developing solutions that have already been developed and deployed elsewhere. There is also the potential within G-Cloud for access to 'off the shelf' applications to be made widely available to Government employees. Assuming these initiatives come to fruition, it will significantly alter the interaction between Government and the IT industry.

Whilst 2011 will no doubt prove to be a commercially challenging year for all companies, there is real cause to believe that the IT industry, especially those active in the services sector of the industry, will see significant opportunities to grow their business and offset any declines in the more traditional parts of their organisation. However, the IT services industry will also need to adapt and embrace new technology itself, in much the same way as it is encouraging its customers to do, in order to better service their customers and grow profitability.

* Source Gartner figures.

** Figures provided in constant currency.

Finance Director's review

The net funds (excluding CSF) improved from £86.4 million to £139.4 million by the end of the year.



Turnover and profitability

In 2010, Computacenter Group delivered a strong turnover and profit, across all our main geographies with revenue growth in all business lines. Our 2009 revenues included £84.6 million from the trade distribution ('CCD') business in the UK, which was disposed in 2009. Excluding CCD, turnover increased by 10.7 per cent, with product revenues increasing by 12.5 per cent and service revenues increasing by 6.5 per cent.

This growth was partially achieved due to the impact of the acquisitions of becom and Thesaurus, which were both made in November 2009, offset by a small dilution in growth due to movements in currency. The like-for-like turnover growth, which excludes currency fluctuations, the CCD disposal and the impact of acquisitions, was 10.3 per cent. On this measure, product revenue growth was 11.4 per cent, and services growth 7.7 per cent. The turnover growth reflects the strong rebound in corporate infrastructure spending in 2010 across UK, Germany and France.

Adjusted profit before tax improved by 21.8 per cent from £54.2 million to £66.1 million, albeit £0.9 million of this improvement is generated from a change in classification of certain French tax expenses from administration expenses in 2009 to income tax expense in 2010. Without this classification change, adjusted profit before tax increased by 20.1 per cent.

After taking account of exceptional items, in 2009, and amortisation of acquired intangibles, statutory profit before tax increased by 35.1 per cent from £48.4 million to £65.4 million.

Adjusted operating profit

Statutory operating profit increased from £52.1 million to £65.9 million. However, management measure the Group's operating performance using adjusted operating profit, which is stated prior to amortisation of acquired intangibles, exceptional items and the transfer of internal ERP implementation costs and after charging finance costs on customer specific financing ('CSF') for which the Group receives regular rental income. Gross profit is also adjusted to take account of CSF finance costs. The reconciliation of statutory to adjusted results is further explained in the segmental reporting note (note 3) to the financial statements.

UK

UK revenues, excluding the CCD disposal, grew strongly in 2010 by 10.8 per cent overall. Product sales increased by 9.5 per cent and services revenues also increased by 13.9 per cent. Revenue decline in the government sector was more than offset by growth in other sectors, particularly financial services. Adjusted gross profit margin moved from 14.8 per cent to 15.0 per cent with the loss of low margin CCD revenues replaced by higher revenues on corporate product sales.

At a headline level, adjusted operating expenses ('SG&A') increased by £3.0 million as reported. However, we incurred operating expenses of £3.5 million in 2009 in the CCD business. Following the cost reductions realised in 2009, the UK business entered into certain targeted SG&A investments to improve efficiency, repeatability and industrialisation of our service operations function.

Table 1
Group revenues £m

	Half 1	Half 2	Total
2008	1,250.3	1,309.8	2,560.1
2009	1,222.2	1,281.0	2,503.2
2010	1,288.8	1,387.7	2,676.5
2010/09	5.4%	8.3%	6.9%

Table 2
Adjusted profit before tax £m

	Half 1	%	Half 2	%	Total	%
2008	11.3	0.9%	31.8	2.4%	43.1	1.7%
2009	18.2	1.5%	36.0	2.8%	54.2	2.2%
2010	21.2	1.7%	44.9	3.2%	66.1	2.5%
2010/09	16.6%		24.5%		21.8%	

Table 3
Revenues by country £m

	2010		2009	
	Half 1	Half 2	Half 1	Half 2
UK	651.9	613.5	624.9	602.0
Germany	455.8	550.0	433.3	497.4
France	164.2	195.4	151.1	168.3
Benelux	16.9	28.8	12.9	13.3
Total	1,288.8	1,387.7	1,222.2	1,281.0

Germany

Revenue, as reported, grew in 2010 by 8.1 per cent to £1,005.8 million (2009: £930.7 million), although approximately £54.3 million (or 72.3 per cent) of the growth can be attributed to the acquisition of becom Informationsysteme GmbH ('becom').

In local currency, revenue grew by 12.2 per cent, with product and services revenues increasing by 16.8 per cent and 4.1 per cent respectively. The adjusted gross profit percentage for Germany as a whole decreased from 13.4 per cent to 13.1 per cent of sales, due to a higher product revenue mix.

SG&A increased by £6.2 million to £111.0 million (2009: £104.8 million), albeit excluding the SG&A increase associated with the acquisition of becom and taking into account the effects of currency, the like-for-like SG&A growth is 2.6 per cent.

France

The rebound in revenue was most pronounced in France, with revenue increasing by 12.6 per cent or 16.9 per cent in local currency.

Product revenue increased by 19.7 per cent in local currency mainly due to a relatively buoyant product market and strong growth in the enterprise product sector. Following two years of double digit growth, services revenue grew by a more modest 4.6 per cent, with professional services up 15.3 per cent and managed services down by 0.1 per cent in local currency.

Due to the high product sales growth, gross profit percentage reduced from 11.7 per cent to 10.5 per cent. This led to an overall gross profit increase of £0.4 million, with SG&A down by £3.3 million. The operating profit is flattered by the change in the basis of the calculation of certain tax payments. In 2010, £0.9 million has been charged in income tax expense that in previous periods was classified within administration expenses.

The operating result turned around from a loss of £2.7 million in 2009 to an operating profit of £1.0 million in 2010. This is a particularly pleasing performance, being the first time our French business has generated an operating profit since 2001.

Benelux

Reported revenue increased by 74.0 per cent to £45.6 million (2009: £26.2 million), translating to an increase of 80.8 per cent in local currency. In local currency, product revenue increased by 130.5 per cent whilst service revenue grew more modestly by 6.2 per cent. This is driven by a large product win during 2010 in Belgium and the Netherlands, that is not expected to be repeated in 2011.

Our business in Belgium returned to profitability in 2010, reporting an operating profit of £0.4 million (2009: operating loss of £0.4 million). The business in Luxembourg however, was once again loss-making, and as a consequence we incurred £0.4 million of redundancy costs within an operating loss of £0.8 million (2009: £0.4 million). From 2011, the Luxembourg business will be managed and reported through our German business and going forward, will form part of the German geographical segment.

The operating loss generated in the Benelux segment was therefore £0.4 million (2009: £0.8 million).

Exceptional items

Following exceptional items of £5.3 million in 2009, no exceptional items were recorded during 2010. Further details of the prior year exceptional items are provided in note 5 to the financial statements.

Finance income and costs

Net finance costs on a statutory basis reduced from £3.7 million in 2009 to £0.5 million in 2010. This takes account of finance costs on CSF of £2.1 million (2009: £4.0 million). On an adjusted basis, prior to the interest on CSF, net finance income recovered from £0.3 million in 2009 to £1.6 million in 2010, mainly due to the significant improvement in net funds.

Table 4
Adjusted operating profit by country £m

	2010			
	Half 1	%	Half 2	%
UK	18.1	2.8%	25.2	4.1%
Germany	3.7	0.8%	16.8	3.0%
France	(1.2)	(0.7%)	2.2	1.1%
Benelux	(0.0)	(0.1%)	(0.4)	(1.4%)
Total	20.6	1.6%	43.8	3.2%

	2009			
	Half 1	%	Half 2	%
UK	12.6	2.0%	25.2	4.2%
Germany	7.2	1.7%	12.4	2.5%
France	(1.4)	(1.0%)	(1.3)	(0.8%)
Benelux	(0.4)	(3.2%)	(0.4)	(3.4%)
Total	18.0	1.5%	35.9	2.8%

Taxation

The effective adjusted tax rate for 2010 was 23.1 per cent (2009: 22.6 per cent). The Group's tax rate continues to benefit from losses utilised on earnings in Germany and will benefit from the reducing corporation tax rate in the UK.

Deferred tax assets of £11.3 million (2009: £11.4 million) have been recognised in respect of losses carried forward. In addition, at 31 December 2010, there were unused tax losses across the Group of £171.2 million (2009: £188.1 million) for which no deferred tax asset has been recognised. Of these losses, £99.4 million (2009: £111.1 million) arise in Germany, albeit a significant proportion have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

Earnings per share and dividend

The adjusted* diluted earnings per share has increased in line with profit growth by 19.1 per cent from 27.7 pence in 2009 to 33.0 pence in 2010. The statutory diluted earnings per share growth of 30.9 per cent takes into account exceptional items reported in 2009.

The Board is recommending a final dividend of 9.7 pence per share, bringing the total dividend for the year to 13.2 pence (2009: 11.0 pence). This will be payable on 10 June 2011 to registered shareholders as at 13 May 2011.

Cash flow

The Group's trading net funds position takes account of factor financing, but excludes CSF. There is an adjusted cash flow statement provided in note 29 that restates the statutory cash flow to take account of this definition.

The net funds (excluding CSF) improved from £86.4 million to £139.4 million by the end of the year. The Group has a history of strong cash generation. However, the increase in 2010 was unusual, given the increase in product revenues, due to a number of factors. Firstly, following the exit from the CCD business in the UK in late 2009, the UK increased the mix of its purchases via distributors, resulting in lower stock holdings and increased creditor payment terms. Secondly the Group continued to benefit from the extension of a temporary improvement in credit terms with a significant vendor, equivalent to £38 million at 31 December 2010, an increase of approximately £8 million over the course of the year. These terms will continue until at least 30 June 2011.

These factors combined to generate a £21.4 million working capital inflow, despite a 7.1 per cent increase in product sales compared to 2009. This, together with the post tax earnings in the period of £50.3 million, improved the cash position, by over £50 million in the year, despite continued investment in the ERP system, investment in our datacenters and dividends of £17.0 million paid.

Whilst the increase in net cash in the year is particularly strong, changes in future periods are more likely to be in line with the underlying earnings of the business, except if the improvement in credit terms with a significant vendor is reversed.

CSF reduced in the year from £49.1 million to £28.4 million, partially due to a decision to restrict this form of financing in the light of the credit environment and reduced customer demand. Taking CSF into account, total net cash at the end of the year was £111.0 million, compared to £37.3 million at the start of the year.

Customer specific financing

In certain circumstances, the Group enters into customer contracts that are financed by leases or loans. The leases are secured only on the assets that they finance. Whilst the outstanding balance of CSF is included within the net funds for statutory reporting purposes, the Group excludes CSF when managing the net funds of the business, as this CSF is matched by contracted future receipts from customers.

Whilst CSF is repaid through future customer receipts, Computacenter retains the credit risk on these customers and ensures that credit risk is only taken on customers with a strong credit rating.

The committed CSF financing facilities are thus outside of the normal working capital requirements of the Group's product resale and service activities.

Capital Management

Details of the Group's capital management policies are included within note 25 of the financial statements.

Financial instruments

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

The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks. The overall financial instruments strategy is to manage these risks in order to minimise their impact on the financial results of the Group. The policies for managing each of these risks are set out below. Further disclosures in line with the requirements of IFRS 7 are included in note 24 of the accounts.

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, invoice factoring in France and the UK and finance leases and loans for certain customer contracts. The Group's bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. When long-term borrowings are utilised, the Group's policy is to maintain these borrowings at fixed rates to limit the Group's exposure to interest rate fluctuations.

Liquidity risk

The Group's policy is to ensure that it has sufficient funding and committed bank facilities in place to meet any foreseeable peak in borrowing requirements. The Group's net funds position improved substantially during 2010, and at the year-end was £139.4 million excluding CSF, and £111.0 million including CSF.

Due to strong cash generation over the past three years, the Group is now in a position where it can finance its requirements from its cash balance. As a result, the Group has not renewed a number of overdraft and factoring facilities during 2010, and consequently the uncommitted overdraft and factoring facilities available to the Group has reduced to £15.5 million at 31 December 2010 (2009: £100.3 million).

At 31 December 2010, the Group still has access to a £60.0 million three-year committed facility established in May 2008, of which £43.5 million (2009: £42.9 million) is not utilised at the balance sheet date. This facility is due to expire in May 2011, and is not expected to be renewed.

The Group manages its counterparty risk by placing cash on deposit across a panel of reputable banking institutions, with no more than £50.0 million deposited at any one time except for UK Government backed counterparties where the limit is £70.0 million.

CSF facilities are committed.

Foreign currency risk

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

Credit risk

The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter. In France, credit risk is mitigated through a credit insurance policy which applies to non-Government customers and provides insurance for approximately 50 per cent of the relevant credit risk exposure.

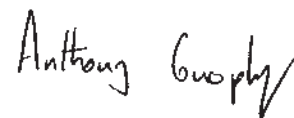
There are no significant concentrations of credit risk within the Group. The Group's major customer, disclosed in note 3 to the financial statements, consists of entities under the control of the UK Government. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Events after the balance sheet date

On 15 February 2011, the Group announced its agreement to acquire TOP Info SAS and its subsidiaries ('Top Info'), an information technology reseller of hardware, software and services based in Paris, France. The acquisition is still subject to competition clearance in France, with the closing date not expected before the end of March 2011. The expected consideration totals €21 million payable on the closing date with an additional €1 million dependent upon the performance of Top Info in the period to 31 December 2011. The management and exercise of control over Top Info will not pass to Computacenter until the closing date.

Going concern

As disclosed in the Directors' Report, the Directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the consolidated financial statements.



Tony Conophy
Finance Director
9 March 2011

Risk management

Protecting our business

Strategic objectives

Accelerating the growth of our contractual services business

Reducing cost through increased efficiency and industrialisation of our service operations

Principal risks

Our offerings transpire to be uncompetitive within the market or an unforeseen technology shift occurs where the market develops appetite for different equipment and solutions to those offered.

We potentially do not dedicate correct levels of resource to satisfy our customers' varying needs for innovation.

Our growth aspirations are impacted by the economic climate and with a certain level of uncertainty about a full return to economic stability in the short-term; there is the potential for reduced capital expenditure from customers.

There is an absence of appropriate investment into automated tools and other efficiency measures, which effectively fails to reduce the need for manual intervention activity or a suitable return on these investments is not realised.

Principal mitigations

We formally review all lost bids and most won bids to ensure that we keep abreast of customer expectation from their IT services and solutions partner. We formally review our internal service providers against price points and benchmarked service quality standards.

We launched a Customer Value Scorecard to identify our larger customers' innovation needs and we are currently implementing the 'continual improvement framework' to detect where innovation needs are arising.

We operate within different economies that are affected differently at different times. We also believe that our offerings are targeted specifically towards being beneficial to our customers who are looking to reduce costs.

The industrialisation and investment review board convenes monthly and monitors the return on investment as well as the planned KPI improvements.

Computacenter's Group Risk Department facilitates a process through which the Group's most senior management team identify all the significant risks posed to the strategic goals. During 2010, the Strategic Risk Profiling Project ('SRPP'), or 'top-down' risk identification, was additionally facilitated by an external risk consultancy and the result of this exercise was adopted by the Board and shared with all the business unit leaders across the Group.

The annual 'bottom-up' risk assessment process involves all business unit leaders across the Group, to identify and prioritise, in accordance with a pre-approved risk matrix of severity and likelihood values, those risks posed to the objectives and targets set for their individual business units. The output of this process presents a risk footprint for each business unit, as well as, a collated top risks log for the Group, which is compared to the SRPP log.

Safeguards already in place and further required mitigations for each identified risk are included in the risk logs, together with the owners of the risks. The frequencies for reviewing the effectiveness of the safeguards, as well as the date by which mitigation plans need to be progressed, are added to complete the risk plans.

The Group Risk Committee, chaired by the Chief Executive, convenes quarterly to review progress against the risk plans. Additionally, the Committee considers any new risks of potential significance which may be added to the appropriate risk log and for which a risk plan is required.

Maximising the return on working capital and freeing working capital where not optimally used

Following significant progress over the last years in freeing working capital through the disposal of the distribution business, as well as other working capital optimisation initiatives, a material increase in working capital demand could harm further progress in this regard.

There is continued focus on strict cost control and in future, the ERP system will facilitate a common approach to working capital management, across the Group, through best practice and other working capital control adoption.

Growing our profit margin through increased services and high-end product sales

Our sales teams do not focus on our defined propositions and target market, resulting in 'over-promising' on the scope of services offered to new customers or making non-standard offerings during the life of a contract, resulting in margin erosion, customer dissatisfaction or delays in the initial phases of the contract.

Our vendor partners compete in the high-end sales environment and approach our customers directly.

Governance boards and a tool through which all relevant parties have to engage, aim to prevent any non-standard offerings. All change management will be reviewed by a governance board and if material, the same approval process as for new contracts will be initiated.

Senior management work very closely with our leading vendor partners and customers in order to continually promote and protect the value we bring to the sale. Computacenter's customers demand optimisation of their IT infrastructures and to this end, vendor independent solutions are imperative.

Ensuring the successful implementation of the Group-wide ERP system

With a project of this scale, there is the potential that during early transition operational issues could occur which may impact on customer service levels and ultimately, overall financial performance of the Company.

After the ERP system is embedded there is the potential that the full return on this investment is not realised.

The transition of the various systems have been phased over a period of circa three years, with the other countries providing back-up support to the transitioning country. Lessons learnt from the early 2011 transition in Germany will be deployed in the UK and France.

Return on investment plans have been developed and will be built into the internal governance structure at all relevant levels and targets have already been added to senior management pay plans.

Corporate Sustainable Development (CSD)

Acting responsibly

Computacenter recognises that its people and the societies and environment within which we operate are integral contributors to delivering value and supporting our key strategic aspirations. Whilst we pride ourselves on the provision of technologically advanced information solutions, we recognise that our business occurs within a wider community including employees, shareholders, customers, suppliers, business partners and the natural environment as a whole.

In 2007, the Group committed itself to the 10 core principles of the United Nations Global Compact ('UNGC'), aimed at demonstrating ethical, environmental and social responsibility towards our own workforce and in our business interaction within each community and country we operate. In 2009, the Group published its first Communication on Progress ('CoP') on the UNGC website, followed by our second CoP in April 2010. Additionally, the Group retains its membership to the FTSE4Good Index Series. The Group's CSD Policy is annually reviewed by the highest governance structure, the Group Board.

Integral to this commitment, we strive to incorporate the UNGC and its principles into our strategy, culture and day-to-day operations. We do this through the development, communication and implementation of relevant policies to manage and monitor our progress towards these principles. Since our commitment to the core principles, we have adopted and revised a number of policies and procedures across the Group.

We support public accountability and will publish, as part of our annual Business Review, a Report on Progress. We are also communicating our sustainability efforts and achievements with all our shareholders in the Annual Report and Accounts, as well as our Company website. We believe that what is not measured is not effectively managed and in line with this, we are endeavouring to identify at least one standard indicator ('SI'), as recognised by the Global Reporting Initiative ('GRI'), per core principle. In this regard, we have made progress, but there remains more work to be done over the next years.

Computacenter will seek to collaborate with and encourage our suppliers, contractors and customers to operate in a similar socially responsible manner, as guided by the UNGC ten principles. We have already secured support from the majority of our suppliers and contractors, but we acknowledge that this will be an ongoing task.



Mike Norris
Chief Executive Officer

Human rights

1. Support and respect the internationally proclaimed human rights

Human rights

2010 objectives and achievements – SI not formalised

- Maintain human rights awareness through the Company's 'Principles of Employee Behaviour'
- ✓ All human rights related policies across the Group have been reviewed and made available to new starters through an employee handbook, new employment contracts and/or the intranet. Training remains available to all
- France's HR team will improve the recruitment of minority groups
- ✓ Various initiatives in France have resulted in 30 per cent more seniors in full time equivalent ('FTE') employ and circa 47 per cent more disabled in FTE employment than in 2009

2011 objectives

- Maintain human rights awareness through the Company's 'Principles of Employee Behaviour'
- Germany will launch a comprehensive life balance awareness programme, the LEO programme, aimed at engaging employees within the second half of their careers, as well as young professionals

Health and Safety

2010 objective and achievements – SI's = AIR and AFR

- Maintain the Accident Incident Rate (AIR) at below 2.5 and the Accident Frequency rate (AFR) at below 1.0
- ✓ In the UK, the average AIR improved to 0.61 (2009: 0.69) and the average AFR improved to 0.34 (2009: 0.39)
- ✓ In Germany, the average AIR increased to 1.53 (2009: 1.44) and the average AFR declined to 0.86 (2009: 0.80)
- ✓ In France, the average AIR increased to 1.40 (2009: 1.30) and the average AFR declined to 0.78 (2009: 0.76)

2011 objectives

- Maintain the AIR and the AFR at 2.5 and 1.0 respectively and retain BS OHSAS 18001 and UVDB certifications
- The marginal decline in the accident rates in Germany and France have been identified as being due to road accidents, stress and back strain. In France, the MASE Health and Safety management system has been launched and the objective is to progress the action plan towards certification in 2012. Stress prevention and road safety awareness training will be undertaken in both Germany and France, with back safety training to be provided to all employees in Germany

AIR – Number of accidents per 1,000 employees.

AFR – Number of accidents per 100,000 working hours.

Health and Safety Group average AIR

2007	2.27
2008	1.97
2009	1.14
2010	1.18

2. Ensure that the Group is not complicit in human rights abuses

2010 objectives and achievements – SI yet to be formalised.

- Amend the questionnaire to incorporate requirements of the Anti-Bribery Bill and to include questions on diversity
- ✓ The Supplier Assessment questionnaire has been reviewed to specifically address matters of diversity and anti-bribery and all key and new vendors are required to complete the questionnaire. An on-line version of the questionnaire has been launched to facilitate ease of completion
- Select supplier audits will be conducted in France, in order to verify sustainable development conformance levels and these activities will be monitored quarterly by utilising the GRI scorecard
- ✓ Initial conformance verification audits have commenced in France, but GRI scorecard measurement postponed

2011 objectives

- Maintain key and new vendor assessments through the questionnaire and monitoring of the returns
- In France, the target is to directly interact with 100 suppliers to verify returned questionnaires and to assess a suitable GRI scorecard measurement for this principle

Labour standards

3. Uphold employees' freedom of association

2010 objectives and achievements – SI to be formalised.

- Maintain current status and reassess vendor conformance, through the completion of a questionnaire to be revised during 2010
- ✓ The Supplier Assessment questionnaire has been reviewed to specifically address matters of diversity and anti-bribery and all key and new vendors are required to complete the questionnaire. An on-line version of the questionnaire has been launched in France to facilitate ease of completion
- ✓ The voluntary employee representation structure in Germany has been altered to a formal Works Council in terms of the German Works Constitution Act
- Select supplier audits will be conducted in France, in order to verify sustainable development conformance levels and these activities will be monitored quarterly by utilising the GRI scorecard
- ✓ Initial conformance verification audits have commenced in France, but GRI scorecard measurement postponed

2011 objectives

- Maintain current status and reassess vendor conformance, through the review of questionnaire responses
- Embed the new processes involved in the Works Council in Germany

Computacenter recognises that its people and the societies and environment within which we operate are integral contributors to delivering value and supporting our key strategic aspirations.

4. Eliminate all forms of forced and compulsory labour

2010 objectives and achievements – SI to be formalised.

- Maintain current status and reassess vendor conformance, through the completion of a questionnaire to be revised during 2010
- ✓ The Supplier Assessment questionnaire has been reviewed to specifically address matters of diversity and anti-bribery and all key and new vendors are required to complete the questionnaire. An on-line version of the questionnaire has been launched in France to facilitate ease of completion
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2011 objectives

- Maintain current status and reassess vendor conformance, through the review of questionnaire responses
- Select supplier audits will be conducted in France, in order to verify sustainable development conformance levels and these activities will be monitored quarterly by utilising the GRI scorecard

“To help deliver a better service to our members and minimise environmental impact, we wanted to equip revenue-generating employees and occasional home-workers with the ability to access corporate systems and data while outside the office environment. Computacenter helped us design and implement a secure and reliable mobile computing solution that supports flexible working, reduces travel, cuts carbon emissions and has enabled significant cost savings.”

Martin Elsener,
Technology Services – Supplier Delivery,
Nationwide



5. Abolish all forms of child labour

2010 objectives and achievements – SI not formalised but continued support for educational initiatives within the communities where we operate, will be monitored and reported.

- Continue to develop young careers and seek assurance from all key vendors that no child labour is deployed, on behalf of the Group, in non-European geographies
- Reassess vendor conformance, through the completion of the revised questionnaire
- ✓ The Supplier Assessment questionnaire has been reviewed and all key and new vendors are required to complete the questionnaire. An on-line version of the questionnaire has been launched in France to facilitate ease of completion
- ✓ In the UK, the graduate development programme has been repeated with 12 graduate intakes during 2010. The Handelsblatt und Junge Carriere again presented Computacenter Germany with the Fair Company seal for the appropriate treatment of student interns. In France, the FTE of apprentices employed increased by 15.1 per cent

2011 objective

- Continue to develop young careers and seek assurance from all key vendors that no child labour is deployed, on behalf of the Group, in non-European geographies

6. Support equality in respect of employment and occupation and eliminate all discrimination

2010 objectives and achievements – SI = Increase in staff utilisation of the UK Benefits@Computacenter website.

- Reassess vendor conformance through a follow-up circulation of the revised CSD questionnaire
- ✓ The Supplier Assessment questionnaire has been reviewed and all key and new vendors are required to complete the questionnaire. An on-line version of the questionnaire has been launched in France to facilitate ease of completion
- Progress the Investors in People improvement plan
- ✓ Investors in People improvement plan has been collated into separate projects, driven by various members of management, with good progress achieved
- Monitor Benefits@Computacenter website utilisation
- ✓ Staff utilisation of Benefits@Computacenter in the UK, has increased by 13 per cent and the Excellence in Action reward and recognition scheme has seen a 30 per cent increase in use
- France's HR team will improve the recruitment of minority groups
- ✓ Various initiatives in France have resulted in 30 per cent more seniors in FTE employment and circa 47 per cent more disabled in FTE employ than in 2009

2011 objectives

- A work life balance intranet portal, including family support, Balance@Computacenter, launched in Germany, will be expanded and its availability promoted during 2011
- The Benefits@Computacenter offering will be further promoted in the UK

Environment

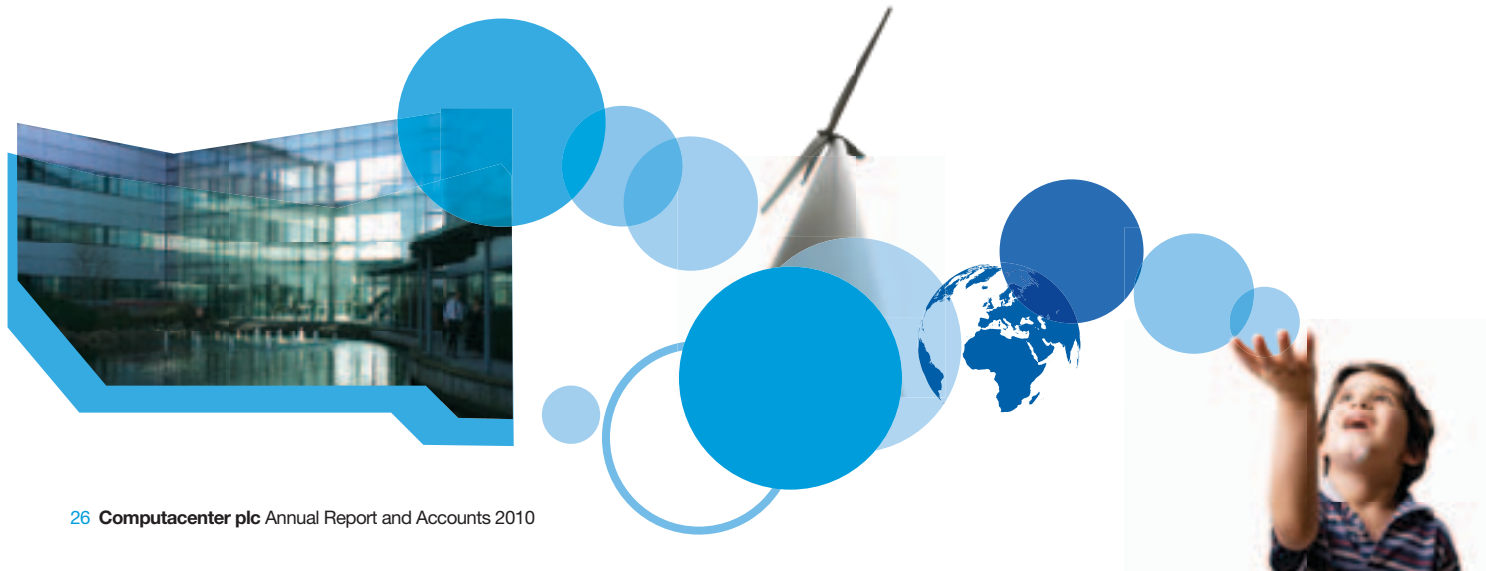
7. Apply precaution to activities which can impair the environment

Electricity consumption at Group head office (million kWh)

2007	2.48
2008	2.44
2009	2.16
2010	2.21

2010 objectives and achievements – SI = Group Carbon Footprint in million kWh

- Reduce electricity consumption at the Group head office
- ✗ Electricity consumption at the Hatfield location increased by circa 2.2 per cent during 2010. This is due to relocation of various functions to Hatfield, including a service desk relocated from Milton Keynes, corresponding broadly with electricity consumption reductions at the vacated locations
- ✓ New energy efficient lighting has been installed in the Hatfield car park, which reduces the electricity used in this area by 50 per cent
- Complete a Carbon Trust accredited energy audit at the Group's head office and investigate the viability of further energy reduction strategies
- ✓ An energy audit, performed by Enviro, resulted in the development of electricity reduction plans for Hatfield, detailed under the 2011 objectives
- ✓ The average CO₂ emitted per UK fleet vehicle reduced from 168 g/km in 2009, to 146 g/km in 2010
- Achieve bronze status to the Mayor of London's Green Procurement Code
- ✓ Bronze status achieved to the Mayor of London's Green Procurement Code
- A 'safe and environmentally friendly driving' training course to be delivered to relevant staff in France
- ✓ Approximately 69 per cent of all employees in France have completed an environment friendly driving course
- Develop web conferencing utilisation in France and monitor usage through GRI Scorecard guidelines
- ✓ Web enabled conferencing facilities have been deployed within France, together with five further Teleconference facilities in the UK. GRI scorecard guidelines will be considered and likely relate to minutes of use
- Develop an Environment Management System in France, to ISO 14001 level 1 in 2010 and level 3 in 2012
- ✓ France has opted to develop an environmental management system aligned to the 1, 2, 3 Environmental Standards and level 1 is due to be audited for certification during February 2011



2011 objectives

- Proceed with the installation of the Voltage Optimisation devices at Hatfield and monitor the projected electricity consumption reduction of between 7 and 10 per cent per year
- Proceed with the viability study for the installation of a 15 to 20 kW wind turbine installation at Hatfield
- Achieve certification to level 1 to the 1,2,3 Environmental Standards in France
- Expand on the participation in Germany in the Volkswagen Green Fleet programme

8. Undertake initiatives to promote greater involvement in the community

2010 objectives and achievements – SI = Track and monitor charity fundraising activities.

- Maintain the current level of charity fundraising activity, with an appropriate focus on local needs
- ✓ Employees in the UK raised £115,000 during 2010, of which circa £40,000 was donated to the Willows Foundation, a Hatfield based charity. Support for the Hertfordshire Fire and Rescue dogs continued as well as support for a road safety awareness campaign at local schools, called Kidsafe
- ✓ Computacenter UK became a founding member of Herts 100, a charity which enables combined support of various organisations within the region, to reach the primary needs of the society in the region
- ✓ Computacenter France continued its support to ONG Aide et Action
- Continue to track and monitor charity fundraising activities
- ✓ Employees in Germany are encouraged to report their private charity efforts and such voluntary activities are logged and internally publicised
- ✓ Group subsidiary and reuse and recycling specialists, RDC, was invited to participate as speakers at the United Nations Industrial Development Organisation ('UNIDO') event in Vienna, in November 2010, where the development of safe IT reuse strategies into developing countries were explored

2011 objectives

- Maintain the current level of charity fundraising activity
- Continue to track and monitor charity fundraising activities

We strive to incorporate the UNGC and its principles into our strategy, culture and day-to-day operations.

9. Encourage the development of environmentally friendly technologies

2010 objectives and achievements – SI = Proportion of customer contract wins where 'Green IT' was part of the contract scope.

- Actively market the datacenter solutions
- ✓ The Group has significantly expanded the availability of datacenter facilities, in order to provide customers with an offering which would reduce cost and their carbon exposure, to the extent where additional facilities are being planned
- Continue to track customer demand for 'Green IT' offerings
- ✓ In 2010, 17.71 per cent (2008: 13.75 per cent) (2009: 18.82 per cent) of new contract wins included an express 'Green IT' scope
- Computacenter France will develop and launch the 'Green IT' Advisory Services for customers
- ✓ France has launched a 'Green IT' offering including IT Recycling and Print Optimisation solutions
- ✓ RDC achieved the goal of zero landfill for all waste, which contributed to being awarded the 2010 Award for Environmental Excellence for Recycling Performance, by the Chartered Institution of Wastes Management

2011 objectives

- Continue to track customer demand for 'Green IT' offerings
- Computacenter France will expand on its 'Green IT' Advisory Services for customers, with the addition of audit and consulting services

Anti-corruption

10. Impede corruption in all its forms, including extortion and bribery

2010 objectives and achievements – SI not yet formalised.

- Review the Anti-Bribery Bill requirements and revise the Business Ethics policies across the Group
- ✓ A Group-wide Code of Conduct and a revised Business Ethics Policy for the Group were developed, following the promulgation of the UK Bribery Act in April 2010
- Communicate to all the revised version of the Ethics Policies, when completed
- ✓ The Code of Conduct and revised Ethics Policy has been issued for implementation across the Group
- Reassess vendor conformance, through the completion of the revised questionnaire
- ✓ The Supplier Assessment questionnaire has been reviewed to specifically address matters of diversity and anti-bribery and all key and new vendors are required to complete the questionnaire. An on-line version of the questionnaire has been launched in France to facilitate ease of completion

2011 objective

- Launch training and anti-bribery awareness sessions across the Group to ensure alignment to the Code of Conduct



Stephen Benadé
Company Secretary
9 March 2011

Board of Directors



1 Greg Lock **Chairman**

Greg is the Chairman of Kofax plc and a Non-Executive Director of United Business Media and private technology company, Target Group. He has more than 38 years' experience in the software and computer services industry, including four years as Chairman of SurfControl plc and from 1998 to 2000, as General Manager of IBM's Global Industrial sector. Greg also served as a member of IBM's Worldwide Management Council and as a governor of the IBM Academy of Technology. Age 63.

3 Tony Conophy **Finance Director**

Tony has been a member of the Institute of Chartered Management Accountants since 1982. He qualified with Sempert (Ireland) Ltd and then worked for five years at Cape Industries plc. He joined Computacenter in 1987 as Financial Controller, rising in 1991 to General Manager of Finance. In 1996 he was appointed Finance and Commercial Director of Computacenter (UK) Limited with responsibility for all financial, purchasing and vendor relations activities. In March 1998 he was appointed Group Finance Director. Age 53.

5 John Ormerod **Non-Executive**

John is the Senior Independent Director and Audit Committee Chairman of Misys plc, a Non-Executive Director and Chairman of the Audit Committee of Gemalto NV, a Non-Executive Director of ITV Plc and Deputy Chairman of Tribal Group plc. John has held senior positions with Arthur Andersen and with Deloitte, where he was a member of the UK Executive Committee and elected Board. Age 62.

7 Ian Lewis **Non-Executive**

Ian is Director of the University Computing Service at the University of Cambridge. During his career he has held a number of senior positions, including First Vice President and Global Chief Technology Officer of Merrill Lynch's Investment Banking and Sales division and Global CTO at Dresdner Kleinwort Wasserstein Investment Banking. Age 50.

2 Mike Norris **Chief Executive**

Mike Norris graduated with a degree in Computer Science and Mathematics from East Anglia University in 1983. He joined Computacenter in 1984 as a salesman in the city office. In 1986 he was Computacenter's top account manager. Following appointments as Regional Manager for London Operations in 1988 and General Manager of the Systems Division in 1992 with full sales and marketing responsibilities, he became Chief Executive in December 1994 with responsibility for all day-to-day activities and reporting channels across Computacenter. Mike also led the Company through flotation on the London Stock Exchange in 1998. Mike was awarded an Honorary Doctor of Science from Hertfordshire University in 2010. Age 49.

4 Peter Ogden **Non-Executive**

Peter founded Computacenter with Philip Hulme in 1981 and was Chairman of the Company until 1998, when he became a Non-Executive Director. He is Chairman of Dealogic (Holdings) plc and prior to founding Computacenter, he was a Managing Director of Morgan Stanley and Co. Age 63.

6 Philip Hulme **Non-Executive**

Philip founded Computacenter with Peter Ogden in 1981 and worked for the Company on a full-time basis until stepping down as Executive Chairman in 2001. He is a Director of Dealogic (Holdings) plc and was previously a Vice President and Director of the Boston Consulting Group. Age 62.

8 Brian McBride **Non-Executive**

Brian was most recently Vice President and Managing Director of Amazon.co.uk. His early career and management development was at IBM, where he started and spent 12 years in sales, culminating in the appointment as Director of UNIX Marketing for IBM Europe. Brian has had broad non-executive experience, having served as Chairman of the Remuneration Committee and SID of S3 PLC, NED at Celtic Football Club PLC and Chairman of Virgin Mobile. Age 55.

Corporate governance statement

Compliance statement

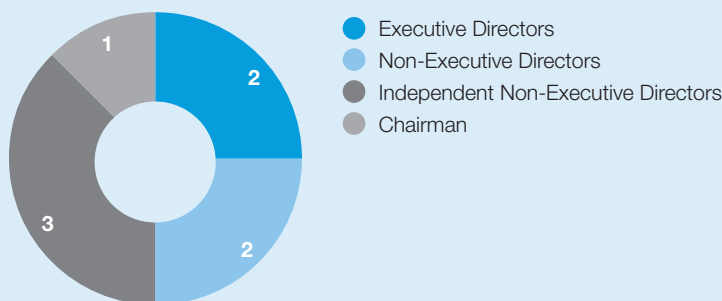
The Board remains committed to the principles of good corporate governance and supports the best practice guidelines contained within the FRC Combined Code on Corporate Governance ('the Code') as published in June 2008, which can be found on the FRC's website (www.frc.org.uk/corporate/ukcgcgcode.cfm). This statement explains the Company's governance policies and practices and sets out how the principles of the Code have been applied for the year ended 31 December 2010 ('the year'). The Board confirms that, save as detailed below, the Company has complied with section one of the Code throughout the financial year. During 2011, the Board will consider the requirements as set out in the revised UK Corporate Governance Code published in June 2010, including annual re-election of the Directors and external board evaluation.

Board of Directors

Composition

At 31 December 2010 the Board consisted of Greg Lock (Chairman); two Executive Directors, Mike Norris and Tony Conophy; and four Non-Executive Directors: Philip Hulme, Ian Lewis, Peter Ogden, John Ormerod. Cliff Preddy stepped down from the Board at the conclusion of the Annual General Meeting (AGM) held on 14 May 2010. Brian McBride was appointed to the Board as Non-Executive Director on 10 January 2011. Details of the current Directors, including their membership of Committees, are set out below and their biographies, which include details of their other significant commitments, appear on page 29. The Board considers that Greg Lock was independent on appointment and that Ian Lewis, John Ormerod and Brian McBride are also independent under the provisions of the Code. Brian McBride is currently the Senior Independent Director.

The Combined Code on Corporate Governance, provision A.3.2, states that at least half of the Board, excluding the Chairman,



must consist of independent Non-Executive Directors. The Company was not compliant with this provision during the year. The Nominations Committee considered the size and structure of the Board, including the required skills and agreed that the present size and composition of the Board remained appropriate, for the requirements of the Company. The primary reason for the lack of non-conformance to this provision relates to the lack of independence of the founder members, Philip Hulme and Peter Ogden, due to the duration of their membership to the Board. The Nominations Committee continues to believe that these two Directors' experience and business acumen bring significant value to the Board as a whole. The Nominations Committee will consider the Board's composition again in 2011.

Following Cliff Preddy's departure from the Company, the Board did not initially nominate a Director to act as Senior Independent Director, but at the Board meeting in August 2010, Mr Ormerod agreed to act as interim Senior Independent Director. This role was relinquished upon the appointment of Brian McBride on 10 January 2011.

Name	PLC Board	Independent	Audit Committee	Remuneration Committee	Nominations Committee
Greg Lock	Chairman	On appointment	No	Yes	Chair
Mike Norris	Executive	No	No	No	No
Tony Conophy	Executive	No	No	No	No
Philip Hulme	Non-Executive	No	No	No	No
Ian Lewis	Non-Executive	Yes	Yes	Yes	Yes
Brian McBride ¹	Senior Independent Director	Yes	Yes	Chair	Yes
Peter Ogden	Non-Executive	No	No	No	No
John Ormerod	Non-Executive	Yes	Chair	Yes	Yes
Cliff Preddy ²	Senior Independent Director	Yes	Yes	Chair	Yes
Stephen Benadé	Secretary	Not Applicable	Secretary	Secretary	Secretary

¹ Brian McBride joined the Board on 10 January 2011.

² Cliff Preddy stepped down from the Board on 14 May 2010.

Roles and responsibilities of the Board

The Board has responsibility for the overall management and performance of the Group; it sets the Company's strategic aims, ensuring that sufficient resources are in place to meet these objectives. The Board reviews the performance of senior management in order to ensure that they are meeting the agreed objectives. The Directors set appropriate values and standards, ensuring that obligations to shareholders and other stakeholders are understood and met and that a satisfactory dialogue with shareholders is maintained. A framework of prudent and effective controls exists to ensure that risks are properly identified, assessed and managed.

Roles and responsibilities of the Board *continued*

The roles of Chairman and Chief Executive are separate and their responsibilities are clearly defined in writing, reviewed and approved annually by the Board. In summary, the Chairman's role is to lead and manage the Board. The Chairman facilitates the contribution of all Directors and is responsible for ensuring constructive relations between them. The Chief Executive is responsible for the day-to-day management of the Group's activities and execution of the strategy approved by the Board. There is no individual or group of individuals who dominate the Board's decision making processes. The Board believes that it oversees the Group effectively and is proactive in its approach.

There is a documented schedule of matters which is reserved for the Board and these matters include the agreement of strategies and budgets and the approval of acquisitions and major capital expenditure. This schedule is reviewed annually or more frequently where required and updated by the Board.

Board effectiveness

Upon joining the Board, all Directors receive a comprehensive induction programme, tailored to their requirements. New Directors receive an induction pack which contains information on the Group's business, its structure and operations, the Board procedures, various corporate governance related matters and details of Directors' duties and responsibilities. As part of the induction programme, all new Directors meet with senior management and meetings are arranged with major shareholders.

All Directors receive appropriate documentation in advance of each Board and Committee meeting, including detailed briefings on all matters where the Board is required to reach a decision, as well as regular reports on the performance of the Group. Senior management frequently present to the Board on the results and strategies of their respective business units, thus ensuring the Board remain familiar with key elements of the business and the management of the Group.

The Board is subject to an annual performance review, which is led by the Chairman and covers the effectiveness of the Board as a whole, its individual Directors and its Committees. The performance review takes into account a wide range of factors, including strategic and operational matters, corporate governance, risk management and shareholder advocacy. Each Director is required to complete a questionnaire, followed by one-to-one meetings with the Chairman. The information from the questionnaires and interviews is compiled into a report and presented to the Board. The performance of the Chairman is assessed by the Non-Executive Directors, led by the Senior Independent Director. All Directors provide feedback on the performance of the Chairman.

Board support

The Group Company Secretary is responsible for advising the Board on all corporate governance matters and for ensuring that all Board procedures are followed, applicable rules and regulations are complied with and the Board is updated on regulatory and governance matters. All Directors have access to the advice and services of the Company Secretary.

A procedure is in place to enable individual Directors to obtain independent professional advice, at the Company's expense, where they believe it is important to the furtherance of their duties. No such advice was sought by any Director during the year.

Board meetings

The attendance of the Directors at scheduled Board and Committee meetings held during 2010 is detailed below. The Board convenes at least eight scheduled meetings per year, as well as a full day strategy review, with at least one meeting each year at the location of an overseas business.

Director	Board Meetings	Audit Committee	Remuneration Committee	Nominations Committee
Number of scheduled meetings held	11	5	6	5
Executive				
Mike Norris, Chief Executive	11	n/a	n/a	n/a
Tony Conophy, Finance Director	11	n/a	n/a	n/a
Non-Executive				
Greg Lock, Chairman	11	n/a	6	5
Philip Hulme	11	n/a	n/a	n/a
Ian Lewis	10	5	5	5
Peter Ogden	9	n/a	n/a	n/a
John Ormerod	10	5	6	5
Cliff Preddy (to 14 May 2010)	4	2	4	2

Unscheduled Board meetings are required to conclude matters considered at a previous meeting, or to address an imperative issue, or to consider the contents of disclosures. Two such meetings were convened during 2010 and Peter Ogden and John Ormerod attended one such meeting and the remainder of the Board was present at all meetings. It is inevitable that there will be occasions when circumstances arise to prevent Directors from attending meetings. In such circumstances, the absent Director will review the Board papers and raise any considerations on specific issues with the Chairman prior to the meeting.

In addition to the formal Board and Committee meetings, the Chairman and the Non-Executive Directors, individually and as a group, meet without the other Executive Directors being present, at least once a year.

During 2010, in addition to participating in the review of the Group's strategy, approval of the budget and oversight of the Group's operating performance, the Board reviewed the integration of acquisitions made at the end of 2009; monitored the investment in and implementation of the new Group ERP system; reviewed the plans for industrialisation of key customer service processes; and reviewed the plans for development of the senior executive team, including succession planning and talent identification.

Corporate governance statement continued

Directors

The Company arranges insurance cover in respect of legal action against the Directors and to the extent allowed by legislation, the Company has granted an indemnity to Directors against claims brought by third parties.

All Directors are subject to election at the first AGM after their appointment and currently are required to retire by rotation, at least every three years. Those Non-Executive Directors who have served for more than nine years are obliged to offer themselves for re-election annually. One third of the Board is required to retire at each AGM.

Board Committees

The Board has delegated certain governance responsibilities to three principal Board Committees; Audit Committee, Remuneration Committee and Nominations Committee. The Terms of Reference for each Committee can be obtained from the Company's website www.computacenter.com/investors or from the Company Secretary, by request. The composition and main responsibilities of the Committees are detailed below:

Audit Committee

Prior to 14 May 2010, the Audit Committee consisted of three Independent Non-Executive Directors; John Ormerod (Chairman), Ian Lewis and Cliff Preddy. Following the AGM on 14 May 2010, when Cliff Preddy stepped down from the Board, the Committee continued to be served by the two remaining independent Non-Executive Directors. During the year, the Committee met on five occasions and attendance at those meetings is set out in the table below:

Audit Committee members	Role	Attendance record
John Ormerod (Chairman)	Non-Executive Director	5/5
Ian Lewis	Non-Executive Director	5/5
Cliff Preddy (to 14 May 2010)	Senior Independent Director	2/2

The Chairman, Group Chief Executive, Group Finance Director, Group Internal Audit Manager, Group Financial Controller and the external auditor are routinely invited to, and attend, the majority of meetings. Periodically, the Committee also meets privately with the external auditor and the Group Internal Audit Manager. The Board believes that the members of the Committee have sufficient skills, qualifications and experience to enable the Committee to discharge its duties, in accordance with the Terms of Reference. The Board is satisfied that John Ormerod has relevant and recent financial experience. The Terms of Reference for the Committee are reviewed annually to ensure that they are in line with current best practice.

The Committee's key duties include, to:

- Consider the reappointment of the external auditor, and make a recommendation to the Board. In doing this, the Committee reviews reports on the execution by the auditor of its work; considers the report on audit firms by the Auditing Inspection Unit; and draws upon the experience of Committee members of the work of other firms and at other businesses;
- Review the independence of the Group's auditor. Annually the Committee receives a report on the auditor's internal procedures to ensure that they remain independent, including its procedure for the rotation of key audit personnel. To support maintaining the objectivity and independence of the external auditor, the Committee has approved a formal policy governing the engagement of the external auditor to provide non-audit services. This policy precludes the auditor from providing certain services and permits other limited services which are subject to low fee thresholds or which require prior approval in accordance with a pre-agreed authority matrix;
- Review the audit plan and results of the external audit. This includes receiving the auditor's assessment of audit risk and approval of its audit plan and fees. The Committee reviews the accounting policies adopted by the Group;
- The Committee receives reports from management and the auditor on the Group's annual and interim financial statements and reviews any other published financial information. In doing so, the Committee considers the application of accounting policies and key judgments in areas such as revenue recognition on major contracts, impairment and financial statement disclosure;
- Receive reports on the Group's systems of internal control and risk management from the Group's management, the Group Risk Manager, internal audit and external auditor, and to review and report to the Board on their effectiveness. During 2010 the Committee has received reports on the design of controls in the new ERP system;
- Evaluate and monitor the effectiveness of the internal audit function;
- Review the Group's business ethics policy and ensure procedures are in place for an appropriate investigation, following any concerns or potential breaches that may be raised by staff; and
- Evaluate the effectiveness of the Committee, including its performance and constitution.

Nominations Committee

In compliance with the Code, the majority of the Committee is made up of Independent Non-Executive Directors. The Committee convened five times during 2010 and the members' attendance at those meetings is set out below:

Nominations Committee members	Role	Attendance record
Greg Lock (Chairman)	Chairman	5/5
Ian Lewis	Non-Executive Director	5/5
John Ormerod	Non-Executive Director	5/5
Cliff Preddy (to 14 May 2010)	Senior Independent Director	2/2

The Committee is responsible for reviewing the Board's composition, skills, knowledge and experience and nominating candidates for both Executive and Non-Executive Directorships on the basis of merit and objective criteria. It also ensures that the procedures for the appointment of new Directors are formal, rigorous and transparent and that there is an orderly succession for appointments to the Board and senior management. To assist in this regard, the Group Chief Executive is invited to attend the meetings of this Committee, when appropriate.

Board Committees continued

Nominations Committee continued

The Nominations Committee led the search for a new Non-Executive Director after Cliff Preddy stepped down from the Board on 14 May 2010. The Committee appointed an external agency to identify candidates against pre-determined criteria, as prepared by the Nominations Committee. Through this process, the Committee identified a number of candidates who were all interviewed by various members of the Board. The Committee applied consideration to the Board's constitution, combined skills and diversity and Brian McBride was recommended and appointed to the Board as a Non-Executive Director on 10 January 2011.

Remuneration Committee

In line with the Code, the majority of the members of this Committee are Independent Non-Executive Directors. Generally the Chief Executive Officer attends part of the Committee meetings by invitation. Following Cliff Preddy's departure from the Board and as Chairman of the Remuneration Committee, on the 14 May 2010, Greg Lock, the Chairman of the Board, agreed to chair the Remuneration Committee in the interim. Therefore, until the appointment of Brian McBride on 10 January 2011, the Company was not compliant with B2.1 of the Combined Code. The Committee convened on six occasions during the year and the attendance of the members is set out below:

Remuneration Committee members	Role	Attendance record
Cliff Preddy (Chairman to 14 May 2010)	Senior Independent Director	4/4
Ian Lewis	Non-Executive Director	5/6
John Ormerod	Non-Executive Director	6/6
Greg Lock	Non-Executive Director	6/6

The Committee is responsible for the Group's policy on executive remuneration and decides on the specific packages of the Executive Directors and senior management. Further information on the Remuneration Committee and its activities can be found in the Directors' Remuneration Report on pages 35 to 40.

Directors' remuneration

The principles and details of Directors' remuneration are contained in the Remuneration Report on pages 35 to 40.

Relations with shareholders

The Board acknowledges the importance of maintaining regular communication with its shareholders and the Group has an established programme of communication based on the Group's financial reporting calendar. In addition to this programme, the Executive Directors have regular contact with institutional shareholders. The Board receives regular reports on the meetings with and other feedback from the Company's major shareholders, in order to ensure that they have a comprehensive understanding of their views. During the latter part of 2010, Greg Lock met a number of larger shareholders and summaries of those discussions were shared with the Board. Brian McBride, as Senior Independent Director since 10 January 2011, is available to address any shareholder queries that are unable to be resolved through regular channels.

All of the Directors attend the AGM and value the opportunity of welcoming individual shareholders and other investors to communicate directly and address their questions. In addition to mandatory information, a full and balanced explanation of the business of all general meetings is sent in advance to shareholders. Resolutions at the Company's general meetings have been passed on a show of hands and proxies for and against each resolution (together with any abstentions) are announced at such meetings, noted in the minutes, available on the Company's website and notified to the market.

Internal controls

The Board has overall responsibility for maintaining and reviewing the Group's systems of internal control, ensuring that the controls are robust and effective enabling risks to be appropriately assessed and managed. The Group's systems and controls are designed to manage risks, safeguard the Group's assets and to ensure reliability of information used both within the business and for publication. Systems are designed to govern, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board conducts an annual review of the effectiveness of the systems of internal control including financial, operational and compliance controls and risk management systems. Where weaknesses have been identified, safeguards are implemented and monitored.

All systems of internal control are designed to continuously identify, evaluate and manage significant risks faced by the Group. The key elements of the Group's controls are as follows:

Responsibilities and authority structure

The Board has overall responsibility for making strategic decisions and there is a written schedule of matters reserved for the Board. The Group Executive Committee meets on a quarterly basis to discuss day-to-day operational matters. Separate Executive Committees have been established for each of the Group's operations in the UK, France and Germany. A flat reporting structure is maintained across the Group, with clearly defined responsibilities for operational and financial management.

Control environment

The Group operates defined authorisation and approval processes throughout all 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 systems of internal control. Accountability is reinforced and further scrutiny of costs and revenues encouraged, by the linking of staff incentives to customer satisfaction and profitability.

Corporate governance statement continued

Internal controls continued

Planning and reporting processes

A three-year strategic plan is prepared or updated annually and reviewed by the Board. A comprehensive budgetary process is completed annually and is subject to the approval of the Board. Performance is monitored through a rigorous and detailed financial and management reporting system, by which monthly results are compared to budgets, the previous year and the agreed targets. The results and explanations for variances are regularly and routinely reported to the Board. Appropriate action is taken where variances arise.

Management and specialists within the Finance Department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to review by the Audit Committee.

Risk management

The Risk and Insurance Department monitors developments and oversees compliance with legislative and regulatory requirements. A comprehensive risk management programme is developed and monitored by the Group Risk Committee, the members of which include senior operational managers across the Group, the Group Finance Director, the Group Risk Manager and the Group Internal Audit Manager. The Group Risk Committee is chaired by the Group's Chief Executive. Further information on the Company's risks can be found within the Risk Report on page 22. Through a programme of assessment, appropriate measures and systems of control are maintained. Detailed business interruption contingency plans are in place for all key sites and these are regularly tested, in accordance with an agreed schedule.

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

The Board has established and reviews regularly, key treasury policies over matters such as counterparty exposure; borrowing arrangements; and foreign exchange exposure management. All cash payments and receipts are managed by centralised finance functions within each of the operating companies. Weekly reporting of cash balances to the Group Finance Department ensures that the position of the Group, as a whole, is properly controlled. The management of liquidity and borrowing facilities for customer specific requirements, ongoing capital expenditure and working capital of the business is undertaken by the Group Finance Director, with regular reporting to the Board.

Quality and integrity of staff

Rigorous recruitment procedures are in place to ensure that new employees are of a suitable calibre. Management continuously monitors training requirements and ongoing appraisal procedures are in place to ensure that required standards are maintained. Resource requirements are identified by managers and reviewed by the relevant national Executive Committee. The Company has a comprehensive Business Ethics Policy in place and should an employee be found in breach of the policy, appropriate disciplinary actions are applied. A separate Code of Conduct, which confirms the prohibition of forms of bribery, was adopted by the Group. Towards the end of 2010, the Group adopted a revised and separate Anti-Bribery Code of Conduct. Additionally, increased focus on enhanced succession arrangements for key members of management across the Group has resulted in plans which received continuous progress reviews.

Internal audit

The Group has an internal audit function led by the Group Internal Audit Manager who reports to the Chairman of the Audit Committee.

The Board, acting through the Audit Committee, has directed the work of Internal Audit towards those areas of the business that are considered to be of the highest risk. The Audit Committee approves a rolling audit programme, ensuring that all significant areas of the business are independently reviewed over, approximately a three-year period. The programme and the findings of the reviews are continually assessed to ensure they take account of the latest information and in particular, the results of the annual review of internal control. The effectiveness of the Internal Audit Department and the Group's risk management programme are reviewed annually by the Audit Committee.

Compliance with DTR

The information that is required by DTR 7.2.6, information relating to the share capital of the Company, can be found within the Directors' Report on page 41.

By order of the Board



Stephen Benadé

Company Secretary
9 March 2011

Directors' remuneration report

This report has been prepared by the Remuneration Committee ('the Committee') and approved by the Board. In preparing this report and establishing its policy, the Board has given full consideration to, and follows the provisions of, the Combined Code, the Companies Act 2006 and the relevant parts of the Listing Rules of the UK Listing Authority. Parts of this report have been audited by the Company's auditors Ernst & Young LLP, in accordance with the requirements of the Companies Act 2006. The audited sections are identified within the report. A resolution to approve this report will be proposed at the forthcoming Annual General Meeting (AGM) of the Company.

Remuneration Committee and advisors

All of the Independent Non-Executive Directors and the Chairman of the Board were members of the Committee throughout 2010. Cliff Preddy was the Chairman of the Committee until he stepped down from the Board on 14 May 2010. Greg Lock, Chairman of the Board, agreed to serve the Committee as Interim Chairman until such time as a new Non-Executive Director and Chairman of the Committee was appointed. On the 10 January 2011, the Board appointed Brian McBride as a Non-Executive Director. Brian will also act as Chairman of the Remuneration Committee and Senior Independent Director. The attendance of Cliff Preddy, Ian Lewis, Greg Lock and John Ormerod at Committee meetings can be found in the Corporate Governance statement on page 30. The Chief Executive Officer ('CEO') generally attends parts of the Committee meetings by invitation.

The Committee's Terms of Reference are available for public inspection, either on the Company's website (www.computacenter.com/investors) or by request from the Company Secretary. During the year, the Remuneration Committee received external advice from Deloitte & Touche LLP and Mercer Limited. In addition, employees of the Group, who provided material advice or services to the Committee during the year were Stephen Benadé (Company Secretary) and Barry Hoffman (HR Director).

The Committee considers comparative practice in the European technology sector, FTSE techMARK 100 companies and FTSE 250 companies.

Remuneration policy

The Committee reviews and determines, on behalf of the Board, the overall remuneration policy of the Executive Directors, Chairman and with advice from the CEO, the senior executives. No individual is involved in deciding his own remuneration. The Executive Directors make recommendations for approval by the Board concerning the fees for Non-Executive Directors that reflect the time, commitment and responsibilities of their roles.

The Company's remuneration policy is designed to reward Executive Directors with remuneration arrangements that are competitive, but not excessive and which further align the interests of the Directors and shareholders. The policy is designed to ensure that a significant proportion of the total remuneration is dependent upon the Group's financial performance; over the fiscal year as well as over extended periods and that the remuneration policy is aligned to the Group's risk profile. These objectives are achieved through a combination of base salary and benefits, performance related annual bonuses, a defined contribution pension scheme and share incentive schemes.

The Committee considers, when reviewing the remuneration of the Executive Directors and other senior executives, the wider remuneration levels of all employees of the Group. The Committee reviews the average base salary increases applied across the Group when base salary increases of the Executive Directors and other senior executives are considered.

Remuneration

The main elements of Executive Directors' Remuneration for 2010 are shown below, with the 2011 elements detailed on page 36.

Element	Fixed	Performance based	
	Basic salary	Bonus	Performance Share Plan
Maximum award:		CEO: 100% of base salary	Finance Director: 75% of base salary
Maximum Uplift		115%	86.25%
Purpose:	Reflects competitive salary levels and takes account of personal contribution and performance.	Rewards the delivery of Group operational performance and achievement of personal objectives.	Improved motivation for senior executives to contribute to growth and profitability and better align the Company's incentive arrangements with shareholders' interests.
Performance standard:	Individual contribution.	80 per cent of the maximum bonus potential based on achievement of specific Group annual financial performance targets, with the balance based on personal objectives approved by the Remuneration Committee each year. For the personal objective component to be payable, Group budgeted profit must be achieved.	EPS growth, relative to RPI.

Directors' remuneration report continued

Basic salary and benefits

Each Executive Director's salary is reviewed annually, in order to ensure that the basic salary and benefits remain appropriate. During the review, the Committee considers various factors including performance and relevant market practices on pay, as well as conditions affecting the Group generally. For 2010, the Board as a whole, agreed that no Executive Director would receive a base salary increase during the year, but that a study be undertaken at the end of the year to review the total reward levels and incentive structures.

At the end of 2010, Mercer Limited was engaged by the Remuneration Committee to perform a total remuneration benchmarking exercise. This study highlighted a misalignment of the CEO and Finance Director's total earnings, compared to the FTSE250 comparator group. The Remuneration Committee agreed that it was preferable to address this misalignment by adjusting both base salaries and bonus opportunity, rather than base salary alone. It was agreed that for 2011, the CEO's base salary would be increased from £475,000 to £500,000 and the Finance Director's base salary would be increased from £300,000 to £315,000.

The Executive Directors receive benefits in line with those offered to employees throughout the Group, including the provision of a car allowance, life insurance, personal accident insurance and the opportunity to participate in the Group's Save as You Earn scheme ('SAYE'), as well as participation in the flexible benefits scheme ('MyBenefits').

Performance-related bonus scheme

The Executive Directors participate in an annual performance-related bonus scheme and in 2010, for the role of CEO, this had a maximum bonus opportunity of 100 per cent of base salary. For the role of Finance Director, the maximum bonus opportunity was 75 per cent of base salary.

The level of bonus payable is dependent on the achievement of Group financial performance targets and specific personal objectives. Regarding the award for 2010, up to 80 per cent of the maximum bonus potential was linked to the financial performance of the Group against pre-agreed targets. The balance (20 per cent) of the maximum bonus potential was related to the achievement of specific personal objectives agreed with each Director, for the year, by the Chairman or CEO, as appropriate, and approved by the Committee. In order for the personal objective element of the bonus to be achieved, the Group budgeted profit target had to have been reached.

In addition, from 2010, it was possible to exceed the maximum bonus opportunity, subject to an overachievement on the PBT element of the bonus targets, on a straight-line basis, up to a maximum bonus uplift of 115 per cent of base salary for the role of CEO and 86.25 per cent for the role of Finance Director. For 2010, Mike Norris earned £467,875 (2009: £413,250), representing 86.0 per cent of the maximum and Tony Conophy earned £221,630 (2009: £189,000), representing 98.50 per cent of the maximum.

Pension

The Executive Directors participate in the Computacenter Pension Scheme, a defined contribution salary sacrifice scheme, under which a maximum annual Company contribution of £5,850 per employee is payable, based on basic salary. For the year 2010, the CEO and Finance Director received the maximum annual Company contribution of £5,850. The scheme also allows employees to make additional salary sacrifices, which the Company may contribute to the scheme, on their behalf.

Share incentive schemes

Share incentive schemes are considered to be an important part of the executive remuneration policy, designed to support management retention and motivation, whilst aligning senior management's interests with those of shareholders.

The details of the historical grants and associated performance conditions are set out in the table of Directors' interests in share options on page 39.

Performance Share Plan – annual awards

The Performance Share Plan 2005 ('PSP') is the Company's primary long-term incentive scheme for Executive Directors and senior employees. The Committee approves grants under this scheme, once a year, although further grants may be made in appropriate circumstances. For 2010, the Committee agreed that awards made to the Executive Directors would be at one times base salary.

Annual awards under this plan are subject to performance conditions, as detailed below:

For 2010, the PSP performance target was based on the Group's annual adjusted earnings per share ('EPS') growth in relation to the retail price index ('RPI') and measured over a three-year period. This arrangement applies throughout the Group, except in France, where in accordance with local market practice, a two-year measurement period applies, with a further condition that the shares are held for an additional two-year holding period, in order to gain favourable tax treatment. One quarter of the shares will vest if cumulative annual EPS growth equals RPI plus 3 per cent per annum. Awarded shares will vest in full if cumulative annual EPS growth equals or exceeds RPI plus 7.5 per cent per annum. If cumulative annual growth in EPS is between 3 per cent and 7.5 per cent per annum above RPI, shares awarded will vest on a straight line basis. No share awards will vest if cumulative annual EPS growth is less than RPI plus 3 per cent per annum. There will be no retesting of the performance condition and any awarded shares that do not vest will automatically lapse.

EPS has been chosen as a performance measure as it is widely used and is considered a transparent yardstick. EPS is calculated on a pre-exceptional, diluted basis.

Share incentive schemes *continued*

Performance Share Plan – annual awards

The Committee reviewed the performance criteria to ensure that these remain sufficiently challenging in light of market expectations and in comparison to market practice. It was agreed that the performance conditions for the annual grant made in 2010, would remain the same.

The Committee have recommended certain changes to the award limit and performance conditions to the Performance Share Plan ('PSP') for grants made from 2011 onwards. For those changes which require it, shareholder approval will be sought at the AGM to be held on 13 May 2011. The proposed changes to the PSP are set out in detail in the Notice of Meeting 2011.

Share options

The Company also operates the Computacenter Employee Share Option Scheme 2007 ('the scheme'). As the PSP is the primary long-term incentive scheme, the Committee intends that the scheme be used only in exceptional circumstances. No grants were made to employees or Directors, under this scheme, during 2010. The Executive Directors have historically been awarded share options under the Company's previous share option schemes and details of these grants can be found in the table of Directors' interests in share options on page 39.

The maximum number of options that can be awarded under the scheme will remain three times base salary, although this can be exceeded in exceptional circumstances. Where grants are made to Executive Directors, it is current policy to grant a maximum of 1.25 times base salary.

Should grants be made under the scheme in 2011, any applicable performance conditions will be subject to review by the Committee, taking account of prevailing market conditions, Group plans and objectives. There is currently no intention to make grants under this scheme.

Dilution limits

The Company uses a mixture of both new issue and market purchase shares to satisfy awards under the option, PSP and SAYE schemes. In line with best practice, the use of new issue or treasury shares to satisfy awards made under all share schemes, is restricted to 10 per cent in any ten-year rolling period, with a further restriction for discretionary schemes of 5 per cent in the same period. As at the year-end, the potential dilution from awards under all share plans was approximately 5.41 per cent and the potential dilution from awards under the discretionary schemes was approximately 1.87 per cent.

Minimum shareholding

The Committee believes that it is beneficial for Executive Directors and certain members of the senior management team to build up and retain a shareholding in the Company. With effect from 2011, executives will be required to build up, over a five year period, and maintain a shareholding under the Share Ownership Guidelines, until such time as the following minimum level of qualifying interest is reached:

Group 1	Group CEO	2 x base salary
Group 2	Group Finance Director Executives within the remit of the Remuneration Committee Executives within the Group Executive Committee	1 x base salary
Group 3	Senior Country, Functional or Other Executives	0.5 x base salary

Directors' contracts

Director	Contract/letter of appointment start date	Expiry date	Unexpired term (months)* as at 10 March 2011	Notice period (months)
Executive				
Mike Norris	23.04.1998	n/a	none specified	12
Tony Conophy	23.04.1998	n/a	none specified	12
Non-Executive				
Greg Lock	01.07.2008	2011 AGM	2	3
Philip Hulme	05.05.2009	2012 AGM	14	3
Ian Lewis	15.06.2009	2012 AGM	14	3
Peter Ogden	05.05.2009	2012 AGM	14	3
John Ormerod	31.10.2009	2012 AGM	14	3
Brian McBride	10.01.2011	2014 AGM	38	3

* Calculated as at 9 March 2011, assuming that future Annual General Meetings will be held in May each year, and further assuming re-election where required to retire at earlier Annual General Meetings in accordance with the Company's Articles of Association.

Directors' remuneration report continued

Directors' contracts continued

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

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

Executive Directors are permitted to hold outside Directorships, subject to approval by the Chairman, and such Executive Director is permitted to retain any fees paid for such services. During the year, Mike Norris served as a Non-Executive Director of Triage Limited and received a fee of £19,500.

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

The Board is aware of the revised UK Corporate Governance Code published in May 2010, as it relates to all Directors offering themselves for annual re-election at each AGM and the Board has agreed to consider this during the second half of 2011.

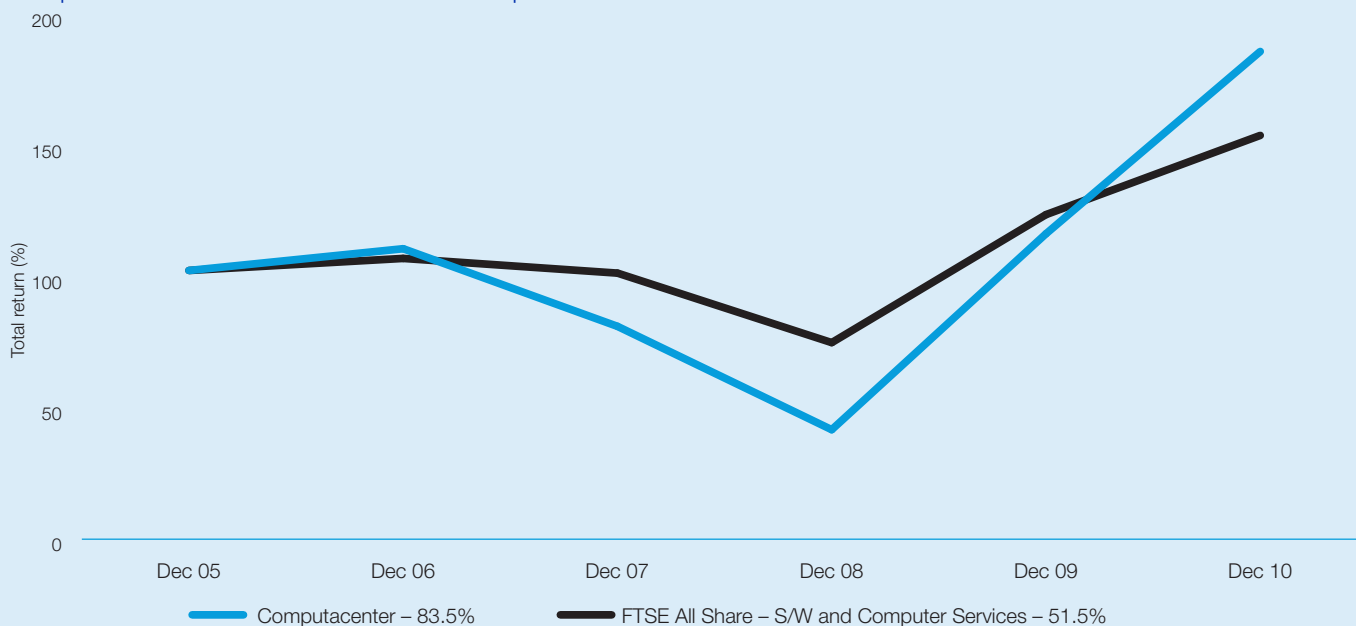
Performance graph

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

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

Total Shareholder Return performance

Computacenter versus FTSE Software and Computer Services sector



Audited information

The Directors' remuneration and Directors' interests in share incentive schemes detailed in the tables below, and their associated notes, are subject to audit.

Directors' remuneration

	Basic salary and fees £	Performance related bonuses £	Other £	Total 2010 £	Total 2009 £
Executive Directors					
Mike Norris	475,000	467,875	–	942,875	888,250
Tony Conophy	314,800	221,630	–	536,430	503,800
Non-Executive Directors					
Greg Lock ¹	150,000	–	–	150,000	140,000
Philip Hulme ²	39,000	–	–	39,000	34,000
Ian Lewis ^{2,3}	44,500	–	–	44,500	38,583
Peter Ogden ²	39,000	–	–	39,000	34,000
John Ormerod ^{2,4}	53,000	–	–	53,000	47,000
Cliff Preddy ⁵	16,964	–	–	16,964	39,500
	1,132,264	689,505	–	1,821,769	1,725,133

¹ Greg Lock received an annual increase of £10,000 pa as Chairman of the Board.

² Philip Hulme, Ian Lewis, Peter Ogden, John Ormerod and Cliff Preddy all received an annual increase in Non-Executive Director fees of £5,000.

³ During 2010 Ian Lewis received an additional annual fee of £5,500 for his services as Chairman of the ERP Project Committee, a committee separate from the Board.

⁴ John Ormerod received an additional annual fee of £14,000 for his services as Chairman of the Audit Committee.

⁵ Cliff Preddy received an additional annual fee of £7,000 for his services as Chairman of the Remuneration Committee. Cliff Preddy stepped down from the Board on 14 May 2010.

Brian McBride was appointed as a Non-Executive Director on 10 January 2011 for which he will receive an annual fee of £39,000. In addition he will receive an annual fee of £7,000 for his services as Chairman of the Remuneration Committee and a further additional fee of £5,000 for his services as Senior Independent Director.

Interests in share incentive schemes

Director	Scheme type	Exercise/ share price (p)	Exercise dates	Note	At 1 January 2010	Granted during the year	Exercised during the year	Lapsed	At 31 December 2010
Mike Norris	Option	322.00	10/04/2005 – 09/04/2012	3	122,670	–	–	–	122,670
		320.00	01/12/2014 – 31/05/2015	2	4,859	–	–	–	4,859
Total					127,529	–	–	–	127,529
	PSP	285.25	01/04/2010 – 01/10/2010	5	156,026	–	156,026	–	–
		187.00	01/04/2011 – 01/10/2011	6	223,930	–	–	–	223,930
		126.50	13/03/2012 – 13/09/2012	7	208,102	–	–	–	208,102
		123.00	20/03/2012 – 20/09/2012	8	390,000	–	–	–	390,000
		316.00	15/03/2013 – 15/09/2013	9	–	150,316	–	–	150,316
		Total					978,058	150,316	156,026
Tony Conophy	Option	322.00	10/04/2005 – 09/04/2012	1,4	9,316	–	–	–	9,316
		322.00	10/04/2005 – 09/04/2012	3	66,770	–	–	–	66,770
		178.00	01/12/2012 – 31/05/2013	2	9,438	–	–	–	9,438
Total					85,524	–	–	–	85,524
	PSP	285.25	01/04/2010 – 01/10/2010	5	101,319	–	101,319	–	–
		187.00	01/04/2011 – 01/10/2011	6	136,364	–	–	–	136,364
		126.50	13/03/2012 – 13/09/2012	7	131,433	–	–	–	131,433
		123.00	20/03/2012 – 20/09/2012	8	240,000	–	–	–	240,000
		316.00	15/03/2013 – 15/09/2013	9	–	94,937	–	–	94,937
		Total					609,116	94,937	101,319

Directors' remuneration report continued

Interests in share incentive schemes continued

The Company's Non-Executive Directors are not invited or permitted to participate in any of the Company's Employee Share Schemes.

Notes:

- ¹ Issued under the terms of the Computacenter Employee Share Option Scheme 1998.
- ² Issued under the terms of the Computacenter Sharesave Plus Scheme, which is available to employees and full-time Executive Directors of the Computacenter Group.
- ³ Issued under the terms of the Computacenter Performance Related Share Option Scheme 1998. The options become exercisable if the average annual compound growth in the Group's earnings per share (on a post-investment in the Biomni joint venture, diluted basis) compared to the base year of 2001, is at least equal to the RPI plus 5 per cent in any of the three-, four- or five-year periods up to and including 2004, 2005 or 2006 respectively.
- ⁴ Exercisable on the condition that the average annual compound growth in the Group's earnings per share (on a post-investment in the Biomni joint venture, diluted basis) compared to the base year of 2001, is at least equal to the RPI plus 5 per cent in any of the three-, four- or five-year periods up to and including 2004, 2005 or 2006 respectively.
- ⁵ Issued under the terms of the Computacenter Performance Share Plan 2005. One quarter of the shares will vest if the average annual compound growth in the Group's earnings per share is at least equal to RPI plus 3 per cent over the three consecutive financial years starting on 1 January 2007 and ending on 31 December 2009, compared to the base year of 2006. Awards will vest in full if the Group's cumulative annual growth is at or above RPI plus 7.5 per cent. If the Group's earnings per share growth over the period is between 3 per cent and 7.5 per cent above RPI, awards will vest on a straight line basis.
- ⁶ Issued under the terms of the Computacenter Performance Share Plan 2005. One quarter of the shares will vest if the average annual compound growth in the Group's earnings per share is at least equal to RPI plus 3 per cent over the three consecutive financial years starting on 1 January 2008 and ending on 31 December 2010, compared to the base year of 2007. Awards will vest in full if the Group's cumulative annual growth is at or above RPI plus 7.5 per cent. If the Group's earnings per share growth over the period is between 3 per cent and 7.5 per cent above RPI, awards will vest on a straight line basis.
- ⁷ Issued under the terms of the Computacenter Performance Share Plan 2005. One quarter of the shares will vest if the average annual compound growth in the Group's earnings per share is at least equal to RPI plus 3 per cent over the three consecutive financial years starting on 1 January 2009 and ending on 31 December 2011, compared to the base year of 2008. Awards will vest in full if the Group's cumulative annual growth is at or above RPI plus 7.5 per cent. If the Group's earnings per share growth over the period is between 3 per cent and 7.5 per cent above RPI, awards will vest on a straight line basis.
- ⁸ If in 2011, profit before tax reaches £90 million, 25 per cent of the awards will vest, if the profit before tax is £100 million or more, 100 per cent of the awards will vest, awards will vest on a straight line basis between those limits.
- ⁹ Issued under the terms of the Computacenter Performance Share Plan 2005. One quarter of the shares will vest if cumulative annual EPS growth equals RPI plus 3 per cent per annum. Awarded shares will vest in full if cumulative annual EPS growth equals or exceeds RPI plus 7.5 per cent per annum. If cumulative annual growth in EPS is between 3 per cent and 7.5 per cent per annum above RPI, shares awarded will vest on a straight line basis.

Gains made from Executive Share Schemes during the year by the Directors were:

Director	Date of vesting	Scheme	Number of shares	Exercise price (p)	Market value at exercise (p)	Gain on exercise (£)
Tony Conophy	16/03/2010	PSP	101,319	n/a	313.56	317,695
Mike Norris	16/03/2010	PSP	156,026	n/a	313.56	489,235

The market price of the ordinary shares at 31 December 2010 was 388.00 pence. The highest price during the year was 404.00 pence and the lowest was 246.00 pence.



Stephen Benadé

Company Secretary
9 March 2011

Directors' report

The Directors present their report and the audited financial statements of Computacenter plc and its subsidiary companies ('the Group') for the year ended 31 December 2010.

Principal activities

The Company is a holding company. The principal activities of the Group, of which it is the parent, are the supply, implementation, support and management of information technology systems.

Business review

The Companies Act 2006 requires the Group to prepare a business review, which commences at the start of the Report and Accounts up to page 27 excluding the market overview on pages 16 and 17, as this overview has been externally compiled. The review includes information about the Group's operations, financial performance throughout the year and likely developments, key performance indicators, principal risks and information regarding the Group's sustainable development plan.

Corporate governance

Under Disclosure and Transparency Rule 7.2, the Company is required to include a Corporate Governance Statement within the Directors' Report. Information on the corporate governance practices can be found in the Corporate Governance Statement on pages 30 to 34, which is incorporated into the Directors' Report by reference.

Results and dividends

The Group's activities resulted in a profit before tax of £65.4 million (2009: £48.4 million). The Group profit for the year, attributable to shareholders, amounted to £50.3 million (2009: £37.7 million).

The Directors recommend a final dividend of 9.7 pence per share totalling £14.9 million (2009: additional interim dividend £11.8 million). Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend, when approved by the shareholders. As such, the amount recognised in the 2010 accounts, as described in note 11, is made up of last year's additional interim dividend (8 pence per share) and the interim dividend (3.5 pence per share).

The final ordinary dividend for 2010, if approved at the forthcoming Annual General Meeting (AGM), will be paid on 10 June 2011 to those shareholders on the register as at 13 May 2011. The Company paid an interim dividend of £5.2 million on 15 October 2010.

Post Balance Sheet Event

Details regarding the potential acquisition of the French company, Top Info SAS and its subsidiaries, can be found in the Operating Review, page 6.

Directors and Directors' authority

The Directors who served throughout the year ended 31 December 2010 were Tony Conophy, Philip Hulme, Ian Lewis Greg Lock, Mike Norris, John Ormerod and Peter Ogden. Cliff Preddy stepped down from the Board at the conclusion of the AGM held on 14 May 2010. Brian McBride was appointed to the Board as Non-Executive Director, Chairman of the Remuneration Committee and Senior Independent Director on 10 January 2011. Brief biographical details of the Directors at the date of this report are given on page 29.

Tony Conophy and John Ormerod will retire by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election. Philip Hulme and Peter Ogden, having served as Directors for more than nine years, will also retire and offer themselves for re-election at the AGM. Brian McBride, who will be attending his first AGM since his appointment, will offer himself for election.

The Company's Articles of Association provide for a Board of Directors consisting of not fewer than three, but not more than 20 Directors, who manage the business and affairs of the Company. The Directors may appoint additional or replacement Directors, who shall serve until the next AGM of the Company at which point they will be required to stand for election by the members. A Director may be removed from office at a general meeting by the passing of an Ordinary Resolution (provided special notice has been given).

Members have previously approved a Resolution to give the Directors authority to allot shares and a renewal of this authority is proposed at the 2011 AGM. This authority allows the Directors to allot shares up to the maximum amount stated in the Notice of Annual General Meeting (approximately one-third of the issued share capital) and this authority would generally expire at the following AGM. In addition, the Company may not allot shares for cash (unless pursuant to an employee share scheme) without first making an offer to existing shareholders in proportion to their existing holdings. This is known as pre-emption rights. A Resolution to allow a limited dis-application of these pre-emption rights has been passed by the members previously, and a renewal of this authority is proposed for the 2011 AGM. This authority is also restricted to a specific amount (as detailed in the Notice of Annual General Meeting), which is approximately 5 per cent of the issued share capital. This authority generally expires at the conclusion of the following AGM.

Directors' report continued

Directors' indemnities

The Company has granted indemnities to each of its Directors and Officers to the extent permitted by law and these indemnities remain in force at the date of this report. The indemnities are uncapped and cover all costs, charges, losses and liabilities the Directors may incur to third parties, in the course of acting as Directors of the Company or its subsidiaries. The Company has made qualifying third party indemnity provisions, for the benefit of its Directors, during the year and these remain in force at the date of this report.

Directors' conflicts of interests

Since 2008 and in satisfaction of a revised requirement of the Companies Act 2006, all Directors have submitted details, to the Company Secretary, of any current situations (appointments or otherwise) which may give rise to a conflict or potential conflict of interest. These were reviewed by the Board and the Board identified those which required further consideration and, if appropriate, approval. Following consideration, the Board approved the conflict or potential conflict matters, subject to the condition that the Directors concerned abstain from participating in any discussion or decision affected by the conflict matter. In each case, authorisation was given by Directors who were genuinely independent of the conflict matter. A record of all authorisations is maintained by the Company Secretary and will be reviewed by the Board twice a year. All Directors are required to notify the Company Secretary of any changes to their registered interests, including new potential conflicts of interest.

Directors' interests in shares

The interests of the Directors in the share capital of the Company at the beginning and end of the year are set out below:

	At 31 December 2010		At 1 January 2010 or as at date of appointment	
	Number of ordinary shares Beneficial	Number of ordinary shares Non-Beneficial	Number of ordinary shares Beneficial	Number of ordinary shares Non-Beneficial
Executive Directors				
Mike Norris	1,385,658	–	1,385,658	–
Tony Conophy	2,175,905	–	2,175,905	–
Non-Executive Directors				
Greg Lock	350,000	–	350,000	–
Philip Hulme	18,291,770	10,143,921	19,291,770	9,143,921
Ian Lewis	45,000	–	45,000	–
Peter Ogden	35,335,636	979,166	35,335,636	979,166
John Ormerod	25,000	–	15,000	–
Cliff Preddy ¹	14,166	–	14,166	–

¹ Cliff Preddy stepped down from the Board on 14 May 2010, his share interests are as at date of leaving.

Between 31 December 2010 and 9 March 2011 there have been no changes to the interests detailed above.

Major interests in shares

In addition to the Directors' interests set out above, as at 9 March 2011, the Company had been notified, in accordance with the Financial Services Authority's Disclosure and Transparency Rules, of the following substantial interests in the Company's issued ordinary share capital.

	Number of ordinary shares held	% of issued share capital
Standard Life Investments Ltd	11,281,778	7.33
Investec Asset Management Ltd	7,658,451	5.00
JP Morgan Asset Management Holdings Inc	7,647,154	4.99

Capital structure

As at 10 March 2011, there were 153.8 million fully paid ordinary shares in issue, all of which have full voting rights and there are no restrictions on the transfer of shares.

Pursuant to the Company's share schemes, there are two employee trusts which, as at the year-end, held a total of 5,393,341 ordinary shares of 6 pence each, representing 3.5 per cent of the issued share capital. During the year the Trusts purchased a total of 908,290 shares. The voting rights attached to these shares are not exercisable directly by the employees, but are exercisable by the Trustees. However, in line with good practice, the Trustees do not exercise these voting rights.

In the event of another company taking control of the Company, the employee share schemes operated by the Company have set change of control provisions. Participants may, in certain circumstances, be allowed to exchange their options for options of an equivalent value over shares in the acquiring company. Alternatively, the options may vest early, in which case, early vesting under the executive schemes will be pro-rated accordingly and under the Sharesave scheme, employees will only be able to exercise the option, to the extent of their accumulated saving.

The Company was granted authority at the 2010 AGM, to make market purchases of up to 15,384,979 ordinary shares of 6 pence each. This authority will expire at the 2011 AGM, where approval from shareholders will be sought to renew the authority. During the period 115,371 ordinary shares of 6 pence each were purchased for cancellation, at a total cost of £447,617. This represented 0.75 per cent of the issued share capital of the Company.

Significant agreements and relationships

The Group has various borrowing facilities provided primarily by Barclays Bank plc, the most significant of which is a £60 million secured credit facility signed in May 2008. Further details regarding the status of these facilities and their renewal considerations, in light of the Groups current balance sheet strength, are provided in the Finance Director's Review on pages 18 to 21. These agreements include a change of control provision, which may result in the facility being withdrawn or amended upon a change of control of the Group. In addition to financing arrangements, the Board considers that there are a number of major product suppliers who are significant to the business, namely HP, IBM, Cisco, Microsoft, Oracle and Lenovo.

Creditors' payment policy

The Company does not hold any trade creditor balances. However, it is the policy of the Group that each of the businesses should agree appropriate terms and conditions with suppliers (ranging from standard written terms to individually negotiated contracts) and that payment should be in accordance with those terms and conditions, provided that the supplier has also complied with them. Group creditor days amounted to 50 (2009: 46).

Financial instruments

The Group's financial risk management objectives and policies are discussed in the Finance Director's Review on pages 18 to 21.

Employee share schemes

The Company operates executive share option schemes and a performance-related option scheme for the benefit of employees. During the year, as in the previous year, no options over ordinary shares of 6 pence each were granted under the executive share option schemes.

At the year-end, options remained outstanding under these schemes, in respect of a total of 2,162,756 ordinary shares of 6 pence each (2009: 2,714,756 shares). During the year, 267,000 options over shares were exercised and options over 285,000 shares lapsed.

The Company also operates a Performance Share Plan ('PSP') to incentivise employees. During the year, 1,195,677 ordinary shares of 6 pence each were conditionally awarded (2009: 3,029,337 shares). At the year-end, awards over 5,249,112 shares remained outstanding, under this scheme (2009: 5,053,973 shares). During the year, awards over 850,791 shares were transferred to participants and awards over 149,747 shares lapsed.

In addition, the Company operates a Sharesave scheme for the benefit of employees. At the year-end 2,758,808 options granted under the Sharesave scheme remained outstanding (2009: 2,595,964).

Corporate sustainable development

The Board recognises that acting in a socially responsible way benefits the community, our customers, shareholders, the environment and employees alike. Further information can be found in the Corporate Sustainable Development Report on pages 24 to 27.

Health, safety and environment

It remains the policy of the Group that each business maintains the high standards necessary to safeguard the health and safety of its employees, customers, contractors and the public. This commitment is formally contained in the Health and Safety Policy Statement, which is available from the Company's website at www.computacenter.com/corporate-responsibility or upon request. The Group's Health, Safety and Environment ('HSE') Department monitors and reviews all procedures and policies, utilising the advice of external consultants, where necessary, in order to ensure that management systems comply with current legal requirements. Further objectives in relation to the maintenance of appropriate health, safety and environment standards, are detailed in the Corporate Sustainable Development Report on pages 24 to 27.

Directors' report continued

Equal opportunities

The Group acknowledges the importance of equality and diversity and is committed to equal opportunities. The Group monitors and regularly reviews policies and practices to ensure that it meets current legislative requirements, as well as Computacenter's own internal standards. The Group is committed to making full use of the talents and resources of all its employees and to provide a healthy environment that encourages productive and mutually respectful working relationships within the organisation. Policies dealing with equal opportunities are in place in all parts of the Group, which take account of the Group's overall commitment and also addresses local regulatory requirements. Further information can be found in the Corporate Sustainable Development Report on pages 24 to 27.

Employee involvement

Computacenter remains committed to involving all employees in significant business issues, particularly matters which affect their work and working environment. Employee involvement is undertaken through a variety of methods including team briefings, intranet, electronic mail and in-house publications. The primary method is through team briefings where managers are tasked with ensuring that information sharing, discussion and feedback happen on a regular basis. Employee consultative forums exist in each country to consult staff on major issues affecting employment and matters of policy and to enable management to seek the views and opinions of employees on a wide range of business matters. Should there be transnational issues to discuss a facility exists to engage a European forum made up of representatives from country forums.

Performance and personal development

The Group is committed to the development of its employees through a regular performance review process. Managers are responsible for setting and reviewing personal objectives, aligned to corporate and functional goals. Performance is reviewed against behavioural standards appropriate to job level, with agreement on appropriate training and development interventions and through discussing career aspirations. The Board closely oversees and monitors management development and the availability of the required skills to meet the current and future management needs of the Group. At divisional and functional level, review processes exist to ensure that there is breadth and depth of management talent throughout the business. The UK business retains its Investor in People status. The Board also directly monitors and reviews progress on succession and development plans of key senior management.

Computacenter's reward strategy is reviewed regularly and continues to emphasise performance-related pay, particularly for more senior managers, with bonus payments aligned to financial performance.

Key performance indicators ('KPIs')

Performance and operational KPIs can be found within the strategy spread at the front of the report and accounts. The Board considers employee-driven attrition rates as a KPI in relation to employee issues. For the year ended 31 December 2010, this figure was 7.78 per cent (2009: 6.14 per cent). Further KPIs on employee and environmental matters can be found within the Corporate Sustainable Development Report on pages 24 to 27.

Workplace

International human rights obligations and international employment laws are met through a broad range of policies across the Group. These ensure that, for example, employees are not subject to discrimination, arbitrary or unjust dismissal or unjust application of wage rates. Further information on this can be found in the Corporate Sustainable Development Report on pages 24 to 27.

Business ethics

An ethics policy is operated by the Group, which commits Computacenter employees to the highest standards of ethical behaviour in respect of customers, suppliers, colleagues and other stakeholders in the business. The policy includes a requirement for all employees to report abuses or non-conformance with the policy ('whistle-blowing') and sets out the procedures to be followed. The Group has additionally adopted a Code of Ethics specifically aimed at the prevention of bribery.

Community relations and charitable activities

The Group supports community and charitable projects as part of its commitment to corporate social responsibility and encourages its employees to support such projects. It also organises and supports ad hoc charitable fundraising events. In addition, the donation of IT equipment to schools and other charitable causes is a feature of the Group's recycling programmes. Further information on the Group's community initiatives can be found within the Corporate Sustainable Development Report on pages 24 to 27. In 2010 the Group made charitable donations amounting to £115,000 (2009: £100,050).

During the year the Group did not make any political donations to any political party, or other political organisation and did not incur any political expenditure within the meaning of Sections 362 to 379 of the Companies Act 2006.

Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Auditor

Ernst & Young LLP has expressed its willingness to continue in office as auditor and a resolution approving the re-appointment of Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming AGM.

Directors' responsibilities

Statement of Directors' responsibilities in relation to the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the accounts; and
- prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Group or Company will continue in its business.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence, taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware; and
- each Director has taken all steps a Director might reasonably be expected to have taken, to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

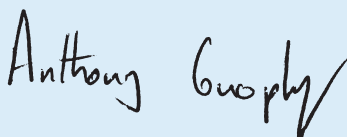
Directors' responsibility statement

- The financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit for the Company and undertakings included in the consolidation taken as a whole; and
- Pursuant to the Disclosure and Transparency Rules the Company's annual report and accounts include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board



Mike Norris
Chief Executive
9 March 2011



Tony Conophy
Finance Director

Independent auditor's report to the members of Computacenter plc

We have audited the Group financial statements of Computacenter plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 45, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

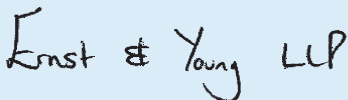
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, set out on page 44, in relation to going concern; and
- The part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Computacenter plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.



Nick Powell (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 March 2011

Consolidated income statement

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Revenue	3	2,676,495	2,503,198
Cost of sales		(2,310,682)	(2,153,395)
Gross profit		365,813	349,803
Distribution costs		(18,978)	(19,032)
Administrative expenses		(280,288)	(272,876)
Operating profit:	4		
Before amortisation of acquired intangibles and exceptional items		66,547	57,895
Amortisation of acquired intangibles		(655)	(517)
Exceptional items	5	-	(5,299)
Operating profit		65,892	52,079
Finance income	7	2,329	1,307
Finance costs	8	(2,823)	(4,977)
Profit before tax:			
Before amortisation of acquired intangibles and exceptional items		66,053	54,225
Amortisation of acquired intangibles		(655)	(517)
Exceptional items		-	(5,299)
Profit before tax		65,398	48,409
Income tax expense:			
Before exceptional items		(15,078)	(12,113)
Tax on exceptional items	5	-	1,415
Income tax expense	9	(15,078)	(10,698)
Profit for the year		50,320	37,711
Attributable to:			
Equity holders of the parent	10	50,321	37,703
Non-controlling interests		(1)	8
		50,320	37,711
Earnings per share	10		
- basic		34.1p	25.7p
- diluted		32.6p	24.9p

Overview

Business review

Governance

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	2010 £'000	2009 £'000
Profit for the year	50,320	37,711
Exchange differences on translation of foreign operations	(4,076)	(10,173)
Total comprehensive income for the period	46,244	27,538
<hr/>		
Equity holders of the parent	46,250	27,543
Non-controlling interests	(6)	(5)
	46,244	27,538

Consolidated balance sheet

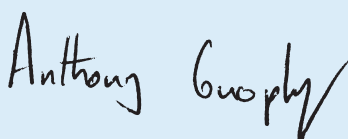
As at 31 December 2010

	Notes	2010 £'000	2009 £'000
Non-current assets			
Property, plant and equipment	12	88,882	105,290
Intangible assets	13	78,531	72,965
Investment in associate	15	47	57
Deferred income tax asset	9	15,577	16,444
		183,037	194,756
Current assets			
Inventories	17	81,569	67,086
Trade and other receivables	18	471,133	475,646
Prepayments		44,219	55,785
Accrued income		39,971	29,538
Forward currency contracts	24	562	726
Cash and short-term deposits	19	159,269	108,017
		796,723	736,798
Total assets		979,760	931,554
Current liabilities			
Trade and other payables	20	440,790	378,929
Deferred income		100,840	123,861
Financial liabilities	21	37,936	48,647
Income tax payable		5,941	3,815
Provisions	23	2,644	2,202
		588,151	557,454
Non-current liabilities			
Financial liabilities	21	10,320	22,022
Provisions	23	10,749	11,605
Other non-current liabilities		-	227
Deferred income tax liabilities	9	978	1,674
		22,047	35,528
Total liabilities		610,198	592,982
Net assets		369,562	338,572
Capital and reserves			
Issued capital	26	9,233	9,186
Share premium	26	3,697	2,929
Capital redemption reserve	26	74,957	74,950
Own shares held	26	(10,146)	(9,657)
Foreign currency translation reserve	26	12,137	16,208
Retained earnings		279,674	244,940
Shareholders' equity		369,552	338,556
Non-controlling interests		10	16
Total equity		369,562	338,572

Approved by the Board on 9 March 2011



MJ Norris
Chief Executive



FA Conophy
Finance Director

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Consolidated statement of changes in equity

For the year ended 31 December 2010

	Attributable to equity holders of the parent								
	Issued capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2010	9,186	2,929	74,950	(9,657)	16,208	244,940	338,556	16	338,572
Profit for the year	–	–	–	–	–	50,321	50,321	(1)	50,320
Other comprehensive income	–	–	–	–	(4,071)	–	(4,071)	(5)	(4,076)
Total comprehensive income	–	–	–	–	(4,071)	50,321	46,250	(6)	46,244
Cost of share-based payments	–	–	–	–	–	2,620	2,620	–	2,620
Deferred tax on share-based payment transactions	–	–	–	–	–	789	789	–	789
Exercise of options	46	264	–	1,563	–	(1,563)	310	–	310
Issue of share capital	8	504	–	–	–	–	512	–	512
Purchase of own shares	–	–	–	(2,501)	–	–	(2,501)	–	(2,501)
Cancellation of own shares	(7)	–	7	449	–	(449)	–	–	–
Equity dividends	–	–	–	–	–	(16,984)	(16,984)	–	(16,984)
At 31 December 2010	9,233	3,697	74,957	(10,146)	12,137	279,674	369,552	10	369,562
At 1 January 2009	9,181	2,890	74,950	(11,169)	26,368	218,970	321,190	21	321,211
Profit for the year	–	–	–	–	–	37,703	37,703	8	37,711
Other comprehensive income	–	–	–	–	(10,160)	–	(10,160)	(13)	(10,173)
Total comprehensive income	–	–	–	–	(10,160)	37,703	27,543	(5)	27,538
Cost of share-based payments	–	–	–	–	–	2,555	2,555	–	2,555
Deferred tax on share-based payment transactions	–	–	–	–	–	298	298	–	298
Exercise of options	5	39	–	2,072	–	(2,072)	44	–	44
Purchase of own shares	–	–	–	(560)	–	–	(560)	–	(560)
Equity dividends	–	–	–	–	–	(12,514)	(12,514)	–	(12,514)
At 31 December 2009	9,186	2,929	74,950	(9,657)	16,208	244,940	338,556	16	338,572

Consolidated cash flow statement

For the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Operating activities			
Profit before taxation		65,398	48,409
Net finance costs		494	3,670
Depreciation	12	31,722	35,326
Amortisation	13	6,550	4,631
Share-based payments		2,620	2,555
Loss on disposal of property, plant and equipment		815	23
Profit on disposal of business	5	-	(1,879)
(Increase)/decrease in inventories		(16,400)	34,126
(Increase)/decrease in trade and other receivables		(3,660)	52,348
Increase in trade and other payables		46,435	10,960
Other adjustments		(49)	283
Cash generated from operations		133,925	190,452
Income taxes paid		(11,281)	(17,500)
Net cash flow from operating activities		122,644	172,952
Investing activities			
Interest received		2,284	1,717
Acquisition of subsidiaries, net of cash acquired	16	-	(9,742)
Proceeds from sale of business	5	-	2,982
Proceeds from sale of property, plant and equipment		372	7
Purchases of property, plant and equipment		(12,856)	(9,511)
Purchases of intangible assets		(12,774)	(11,790)
Net cash flow from investing activities		(22,974)	(26,337)
Financing activities			
Interest paid		(3,200)	(4,540)
Dividends paid to equity shareholders of the parent	11	(16,984)	(12,514)
Proceeds from share issues		822	44
Purchase of own shares		(2,501)	(560)
Repayment of capital element of finance leases		(20,641)	(20,956)
Repayment of loans		(12,622)	(40,248)
New borrowings		5,957	16,357
Increase/(decrease) in factor financing		1,568	(25,600)
Net cash flow from financing activities		(47,601)	(88,017)
Increase in cash and cash equivalents		52,069	58,598
Effect of exchange rates on cash and cash equivalents		(1,090)	(533)
Cash and cash equivalents at the beginning of the year	19	104,954	46,889
Cash and cash equivalents at the year-end	19	155,933	104,954

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For the year ended 31 December 2010

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of Computacenter plc for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 9 March 2011. The balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy. Computacenter plc is a limited company incorporated and domiciled in England whose shares are publicly traded.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2010 and applied in accordance with the Companies Act 2006.

2 Summary of significant accounting policies

Basis of preparation

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

Basis of consolidation

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

All intra-group balances, transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

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

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Except as noted below, adoption of these standards did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures. The other pronouncements which came into force during the year were not relevant to the Group:

IFRS 3 (revised) Business Combinations

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations. It requires that all acquisition related costs are expensed in the period incurred rather than included in the cost of the investment, that changes to the contingent consideration following a business combination are shown in the statement of comprehensive income instead of adjusting goodwill and that changes to deferred tax assets relating to business combinations are only reflected within goodwill if they occur within the measurement period. The Group has applied IFRS 3 (Revised) with effect from 1 January 2010. During the period the Group recognised the benefit of tax losses of £1.7 million attributable to an acquisition completed in a previous period. The impact is included within current income tax expense. Had the standard not been adopted, an adjustment to goodwill would have been required.

IAS 27 (amended) Consolidated and Separate Financial Statements

The amended standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners and these transactions will no longer give rise to goodwill or gains and losses. The standard also specifies the accounting when control is lost and any retained interest is remeasured to fair value with gains or losses recognised in profit or loss.

2 Summary of significant accounting policies continued

Improvements to IFRS

In May 2009 the IASB issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

New standards and interpretations not yet effective

During the year, the IASB and IFRIC have issued the following standards and interpretations which are expected to have implications for the reporting of the financial position or performance of the Group or which may require additional disclosures in future financial years.

IAS 24 Related Party Disclosures (Amendment) (effective 1 January 2011)*

The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2013)*

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Improvements to IFRS (issued in May 2010)

The Group expects no impact from the adoption of the amendments on its financial position or performance.

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the group's discretion to early adopt standards.

Critical judgments and estimates

The preparation of the Group's financial statements requires management to make judgments on how to apply the Group's accounting policies and make estimates about the future. Due to the inherent uncertainty in making these critical judgments and estimates, actual outcomes could be different.

The more significant judgments and estimates, where a risk exists that a material adjustment to the carrying value of assets and liabilities in the next financial year could occur, relate to:

- revenue recognition where, on a limited number of support and managed services contracts, an estimate of the total contract costs is required to determine the stage of completion;
- estimation of residual value of assets owned to support certain contracts;
- impairment of intangible assets and goodwill, which is based upon estimates of future cash flows and discount rates for the relevant cash-generating units;
- recognition of deferred tax assets in respect of losses carried forward, which are dependent upon estimates of future profitability of certain Group companies; and
- other estimated tax positions, where the decisions of tax authorities are uncertain.

Further information is provided within this note summarising significant accounting policies, and notes 9 and 14 to the financial statements.

Property, plant and equipment

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

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

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

Freehold land is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

2 Summary of significant accounting policies continued

Leases

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

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

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

Intangible assets

Software and software licences

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

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

Software under development

Costs that are incurred and that can be specifically attributed to the development phase of management information systems for internal use are capitalised and amortised over their useful life, once the asset becomes available for use.

Other intangible assets

Intangible assets acquired as part of a business are carried initially at fair value. Following initial recognition intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight-line basis over their expected useful lives with charges included in administrative expenses as follows:

Existing customer contracts	5 years
Existing customer relationships	10 years
Tools and technology	7 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Business combinations on or after 1 January 2004 are accounted for under IFRS 3 (Revised) using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. Goodwill recognised on acquisitions prior to 1 January 2004, the date of transition to IFRS, is recorded at its amortised cost at transition to IFRS and is no longer amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

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

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

Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of.

Impairment of assets

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

Financial assets

Financial assets are recognised at their fair value which initially equates to the consideration given plus directly attributable transaction costs associated with the investment.

2 Summary of significant accounting policies continued

Inventories

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

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

Trade and other receivables

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

Receivables subject to factoring arrangement

Some of the Group's trade receivables are subject to factoring arrangements. These transactions do not meet IAS 39's requirements for derecognition, since the risks and rewards have not been substantially transferred. All receivables sold through factoring transactions which do not meet the IAS 39 derecognition criteria continue to be recognised in full in the Group financial statements even though they are legally subject to the factoring arrangement; a corresponding liability is recorded in the consolidated balance sheet as 'Factor Financing'. Gains and losses relating to the sale of such assets are not recognised until the assets are derecognised.

Cash and cash equivalents

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

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Interest-bearing borrowings

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

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

De-recognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

Derivative financial instruments

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

Any gains or losses arising from changes in fair value on forward contracts are taken directly to the income statement.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

2 Summary of significant accounting policies continued

Foreign currency translation

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

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

The functional currencies of the overseas subsidiaries are Euro (€), US dollar (US\$) and South African rand (ZAR). As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rates for the year. Exchange differences arising on the retranslation are recognised in the consolidated statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in the consolidated statement of comprehensive income relating to that particular foreign operation is recognised in the income statement.

Provisions

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

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

Taxation

Current tax

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

Deferred tax

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

- where the temporary difference arises from the initial recognition of goodwill or from an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses, can be utilised.

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

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

VAT

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

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

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

2 Summary of significant accounting policies continued

Revenue

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

Product

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

Professional Services

Revenue is recognised when receivable under a contract following delivery of a service or in line with the stage of work completed. The stage of completion is determined by reference to the costs incurred as a proportion of the total estimated costs of the contract and unbilled revenue is recognised within accrued income. If the total estimated costs and revenues of a contract cannot be reliably estimated, revenue is recognised only to the extent that costs have been incurred. A provision is made as soon as a loss is foreseen.

Support and Managed Services

Contracted service revenue is recognised on a percentage of completion basis. Usually revenue is recognised on a straight-line basis, when this is representative of the stage of completion of an individual contract. Unrecognised contracted revenue is included as deferred income in the balance sheet. Amounts invoiced relating to more than one period are deferred and recognised over their relevant life.

On a limited number of Support and Managed Service contracts recognising revenue on a straight-line basis is not representative of the stage of completion. On these contracts, the stage of completion is determined by reference to the costs incurred as a proportion of the total estimated costs of the contract and unbilled revenue is recognised within accrued income. If a contract cannot be reliably estimated revenue is recognised only to the extent that costs have been incurred. A provision is made as soon as a loss is foreseen.

Where a contract contains several elements, the individual elements are accounted for separately where appropriate.

Finance income

Income is recognised as interest accrues.

Dividends

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

Operating leases

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

Pensions and other post-employment benefits

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

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

2 Summary of significant accounting policies continued

Share-based payment transactions

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by utilising an appropriate valuation model, further details of which are given in note 27. In valuing equity-settled transactions, no account is taken of any performance conditions as none of the conditions set are market-related ones.

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 10).

The Group has an employee share trust for the granting of non-transferable options to executives and senior employees. Shares in the Group held by the employee share trust are treated as investment in own shares and are recorded at cost as a deduction from equity (see note 26).

Own shares held

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

3 Segmental analysis

For management purposes, the Group is organised into geographical segments, with each segment determined by the location of the Group's assets and operations. The Group's business in each geography is managed separately and held in separate statutory entities.

No operating segments have been aggregated to form the below reportable operating segments.

Management monitor the operating results of its geographical segments separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on adjusted operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements. At a Group level, however, management measure performance on adjusted profit before tax. Adjusted operating profit or loss takes account of the interest paid on customer-specific financing ('CSF') which management consider to be a cost of sale for management reporting purposes. Excluded from adjusted operating profit is the amortisation of acquired intangibles, exceptional items and the transfer of internal ERP implementation costs as management do not consider these items when reviewing the underlying performance of a segment.

Segmental performance for the years ended 31 December 2010 and 2009 was as follows:

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
For the year ended 31 December 2010					
Results					
Revenue	1,265,431	1,005,812	359,611	45,641	2,676,495
Adjusted gross profit	189,614	131,511	37,815	4,753	363,693
Adjusted net operating expenses	(146,277)	(111,014)	(36,825)	(5,150)	(299,266)
Adjusted segment operating profit/(loss)	43,337	20,497	990	(397)	64,427
Adjusted net interest					1,626
Adjusted profit before tax					66,053
Other segment information					
Capital expenditure:					
Property, plant and equipment	10,552	5,967	491	108	17,118
Intangible fixed assets	11,935	701	138	–	12,774
Depreciation	21,142	9,971	491	118	31,722
Amortisation	4,073	2,339	138	–	6,550
Share-based payments	1,918	489	213	–	2,620

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

3 Segmental analysis continued

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
For the year ended 31 December 2009					
Results					
Revenue	1,226,917	930,673	319,384	26,224	2,503,198
Adjusted gross profit	181,149	124,395	37,448	2,838	345,830
Adjusted net operating expenses	(143,310)	(104,831)	(40,169)	(3,597)	(291,907)
Adjusted segment operating profit/(loss)	37,839	19,564	(2,721)	(759)	53,923
Adjusted net interest					302
Adjusted profit before tax					54,225
Other segment information					
Capital expenditure:					
Property, plant and equipment	11,042	8,107	783	118	20,050
Intangible fixed assets	11,891	15,301	71	–	27,263
Depreciation	24,015	10,064	1,118	129	35,326
Amortisation	3,302	1,209	120	–	4,631
Share-based payments	1,893	357	305	–	2,555

Reconciliation of adjusted results

Management review adjusted measures of performance as shown in the tables above. Adjusted profit before tax excludes exceptional items and the amortisation of acquired intangibles as shown below:

	2010 £'000	2009 £'000
Adjusted profit before tax	66,053	54,225
Amortisation of acquired intangibles	(655)	(517)
Exceptional items	–	(5,299)
Profit before tax	65,398	48,409

3 Segmental analysis continued

Reconciliation of adjusted results continued

Management also review adjusted measures for gross profit, operating expenses, operating profit and net interest, which in addition takes account of interest costs of CSF within cost of sales (as these are considered to form part of the gross profit performance of a contract). The reconciliation for adjusted operating profit to operating profit, as disclosed in the Consolidated Income Statement, is as follows:

	UK £'000	Germany £'000	France £'000	Benelux £'000	Total £'000
For the year ended 31 December 2010					
Adjusted segment operating profit/(loss)	43,337	20,497	990	(397)	64,427
Add back interest on CSF	1,442	678	–	–	2,120
Amortisation of acquired intangibles	(519)	(136)	–	–	(655)
ERP implementation costs	(4,250)	4,250	–	–	–
Segment operating profit/(loss)	40,010	25,289	990	(397)	65,892
For the year ended 31 December 2009					
Adjusted segment operating profit/(loss)	37,839	19,564	(2,721)	(759)	53,923
Add back interest on CSF	2,921	1,051	–	–	3,972
Amortisation of acquired intangibles	(481)	(36)	–	–	(517)
Exceptional items	(3,155)	(291)	(1,613)	(240)	(5,299)
ERP implementation costs	(2,728)	2,728	–	–	–
Segment operating profit/(loss)	34,396	23,016	(4,334)	(999)	52,079

Sources of revenue

Each geographical segment principally consists of a single entity with shared assets, liabilities and capital expenditure. The Group has three sources of revenue, which are aggregated and shown in the table below. The sale of goods is recorded within product revenues and the rendering of services is split into Professional and Support and Managed Services.

Revenue performance is reported to the Chief Operating Decision Maker excluding the UK Trade Distribution business, which was disposed of on 27 November 2009. The table below reflects revenue performance before and after the impact of the sold business.

	2010 £'000	2009 £'000
Sources of revenue		
Product revenue		
Ongoing operations	1,888,362	1,678,613
Trade distribution	–	84,589
Total product revenue	1,888,362	1,763,202
Services revenue		
Professional services	192,448	175,364
Support and managed services	595,685	564,632
Total services revenue	788,133	739,996
Total revenue	2,676,495	2,503,198

Information about major customers

Included in revenues arising from the UK segment are revenues of approximately £311 million (2009: £397 million) which arose from sales to the Group's largest customer. For the purposes of this disclosure a single customer is considered to be a group of entities known to be under common control. This customer consists of entities under control of the UK Government, and includes the Group's revenues with central government, local government and certain government controlled banking institutions.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

4 Group operating profit

This is stated after charging:

	2010 £'000	2009 £'000
Auditors' remuneration:		
Audit of the financial statements	400	416
Other fees to auditors – local statutory audits for subsidiaries	31	27
– other services in pursuant of legislation	12	12
– taxation services	68	146
– other services	46	98
	557	699
Depreciation of property, plant and equipment	31,722	35,326
Loss on disposal of property, plant and equipment	815	23
Profit on disposal of business, net of goodwill	–	1,879
Amortisation of intangible assets	6,550	4,631
Net foreign currency differences	(35)	(897)
Costs of inventories recognised as an expense	1,696,592	1,588,654
Operating lease payments – minimum lease payments	37,343	40,174

In addition to the auditors' remuneration disclosed above, further costs £139,000 incurred in 2009 in relation to non-audit services in respect of the acquisition of becom Informationssysteme GmbH were capitalised at 31 December 2009.

5 Exceptional items

	2010 £'000	2009 £'000
Operating profit		
Profit on disposal of business, net of goodwill	–	1,879
Restructuring costs	–	(7,178)
	–	(5,299)
Income tax		
Tax on exceptional items included in operating profit	–	1,415

The profit on disposal of business of £1,879,000 arose from the Group disposing of its Trade Distribution division to Ingram Micro in November 2009. The disposal did not match the criteria of IFRS 5 'Non-current assets held-for-sale and discontinued operations' as the disposal did not represent a separate major line of business or geographical area of operations and hence was not treated as a discontinued operation. The Group received consideration of £2,982,000 in cash and cash equivalents, net of costs incurred in relation to the sale. This was offset by the disposal of goodwill associated with the business of £1,002,000. The directly attributable goodwill associated with the Trade Distribution business originally arose from the acquisition of Metrologie UK in 1999. Separately, related inventories of £8,574,000 were sold to Ingram Micro at cost.

Restructuring costs arose in 2009 from the change programme to reduce costs. They included expenses from headcount reductions of £5,309,000 and vacant premises costs of £1,869,000.

6 Staff costs and Directors' emoluments

	2010 £'000	2009 £'000
Wages and salaries	440,352	427,853
Social security costs	67,136	66,407
Share-based payments	2,620	2,555
Pension costs	15,938	16,142
	526,046	512,957

Share-based payments arise from transactions accounted for as equity-settled share-based payment transactions.

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

	2010 No.	2009 No.
UK	4,947	4,765
Germany	4,169	4,093
France	1,203	1,121
Benelux	195	194
	10,514	10,245

7 Finance income

	2010 £'000	2009 £'000
Bank interest receivable	1,878	1,249
Income from investments	451	58
	2,329	1,307

8 Finance costs

	2010 £'000	2009 £'000
Bank loans and overdrafts	352	429
Finance charges payable on customer-specific financing	2,120	3,972
Finance costs on factoring	206	391
Other interest	145	185
	2,823	4,977

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

9 Income tax

a) Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Tax charged in the income statement		
Current income tax		
UK corporation tax	12,917	11,181
Foreign tax	3,306	1,394
Adjustments in respect of prior periods	(1,682)	(853)
Total current income tax	14,541	11,722
Deferred tax		
Origination and reversal of temporary differences	(1,239)	(2,284)
Losses utilised	5,535	4,803
Changes in recoverable amounts of deferred tax assets	(6,608)	(3,691)
Adjustments in respect of prior periods	2,849	148
Total deferred tax	537	(1,024)
Tax charge in the income statement	15,078	10,698

b) Reconciliation of the total tax charge

	2010 £'000	2009 £'000
Accounting profit before income tax	65,398	48,409
At the UK standard rate of corporation tax of 28.0 per cent (2009: 28.0 per cent)	18,311	13,555
Expenses not deductible for tax purposes	1,446	803
Non-deductible element of share-based payment charge	490	715
Relief on share option gains	(607)	(364)
Adjustments in respect of current income tax of previous periods	1,167	(705)
Higher tax on overseas earnings	110	69
Other differences	781	(457)
Effect of changes in tax rate	197	–
Current year profits offset against brought forward losses	(438)	–
Capital gain relieved by unrecognised losses brought forward	–	(835)
Changes in recoverable amounts of deferred tax assets	(6,608)	(3,691)
Losses of overseas undertakings not available for relief	229	1,609
At effective income tax rate of 23.1 per cent (2009: 22.1 per cent)	15,078	10,698

c) Tax losses

Deferred tax assets of £11.3 million (2009: £11.4 million) have been recognised in respect of losses carried forward.

In addition, at 31 December 2010, there were unused tax losses across the Group of £171.2 million (2009: £188.1 million) for which no deferred tax asset has been recognised. Of these losses, £99.4 million (2009: £111.1 million) arise in Germany, albeit a significant proportion have been generated in statutory entities that no longer have significant levels of trade. The remaining unrecognised tax losses relate to other loss-making overseas subsidiaries.

9 Income tax continued

d) Deferred tax

Deferred income tax at 31 December relates to the following:

	Consolidated balance sheet		Consolidated income statement	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Deferred income tax liabilities				
Accelerated capital allowances	922	438	(752)	(250)
Revaluations of foreign exchange contracts to fair value	56	–	56	–
Effect of changes in tax rate on opening liability	–	–	(45)	–
Arising on acquisition	–	1,236	–	(135)
Gross deferred income tax liabilities	978	1,674		
Deferred income tax assets				
Relief on share option gains	2,266	909	(568)	(512)
Other temporary differences	2,049	3,751	1,478	(1,238)
Effect of changes in tax rate on opening liability	–	–	234	–
Revaluations of foreign exchange contracts to fair value	–	(27)	(27)	–
Losses available for offset against future taxable income	11,262	11,423	161	1,111
Fair value adjustments on acquisition of subsidiary (note 16)	–	388	–	–
Gross deferred income tax assets	15,577	16,444		
Deferred income tax charge			537	(1,024)
Net deferred income tax asset	14,599	14,770		

At 31 December 2010, there was no recognised or unrecognised deferred income tax liability (2009: £nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries as the Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

e) Impact of rate change

The Finance (No 2) Act 2010 reduced the main rate of UK Corporation Tax from 28 per cent to 27 per cent with effect from 1 April 2011. The impact of the new rate is to reduce the UK deferred tax asset by £0.2 million. Additional changes to the main rate of UK Corporation Tax to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014 have been proposed. These changes have not been substantively enacted at the balance sheet date and consequently are not included in these financial statements. The effect of these proposals would be to reduce the UK net deferred tax asset by £0.2 million.

10 Earnings per ordinary share

Earnings per share ('EPS') amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (excluding own shares held).

Diluted earnings per share amounts are calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year (excluding own shares held) adjusted for the effect of dilutive options.

Adjusted basic and adjusted diluted EPS are presented to provide more comparable and representative information. Accordingly the adjusted basic and adjusted diluted EPS figures exclude amortisation of acquired intangibles and exceptional items.

	2010 £'000	2009 £'000
Profit attributable to equity holders of the parent	50,321	37,703
Amortisation of acquired intangibles	655	517
Tax on amortisation of acquired intangibles	(187)	(145)
Exceptional items within operating profit	–	5,299
Tax on exceptional items included in profit before tax	–	(1,415)
Profit before amortisation of acquired intangibles and exceptional items	50,789	41,959

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

10 Earnings per ordinary share continued

	2010 000's	2009 000's
Basic weighted average number of shares (excluding own shares held)	147,752	146,918
Effect of dilution:		
Share options	6,370	4,671
Diluted weighted average number of shares	154,122	151,589

	2010 pence	2009 pence
Basic earnings per share	34.1	25.7
Diluted earnings per share	32.6	24.9
Adjusted basic earnings per share	34.4	28.6
Adjusted diluted earnings per share	33.0	27.7

11 Dividends paid and proposed

	2010 £'000	2009 £'000
Declared and paid during the year:		
Equity dividends on ordinary shares:		
Final dividend for 2009: nil (2008: 5.5 pence)	–	8,097
Interim dividend for 2010: 3.5 pence (2009: 3.0 pence)	5,173	4,417
Additional interim dividend for 2009: 8.0 pence (2008: nil)	11,811	–
	16,984	12,514

Proposed (not recognised as a liability as at 31 December)

Equity dividends on ordinary shares:		
Final dividend for 2010: 9.7 pence (2009: nil)	14,926	–
Additional interim dividend for 2009: 8.0 pence (2008: nil)	–	11,863

12 Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold improvements £'000	Fixtures, fittings, equipment and vehicles £'000	Total £'000
Cost				
At 1 January 2009	67,507	17,629	164,716	249,852
Additions	21	2,991	16,662	19,674
Acquisition of subsidiary undertaking	–	–	376	376
Disposals	–	(123)	(16,483)	(16,606)
Foreign currency adjustment	(97)	(1,531)	(4,205)	(5,833)
At 31 December 2009	67,431	18,966	161,066	247,463
Additions	–	2,816	14,302	17,118
Disposals	–	(1,506)	(8,377)	(9,883)
Foreign currency adjustment	(40)	(642)	(1,555)	(2,237)
At 31 December 2010	67,391	19,634	165,436	252,461
Accumulated depreciation and impairment				
At 1 January 2009	23,580	8,893	94,064	126,537
Provided during the year	2,543	1,850	30,933	35,326
Disposals	–	(123)	(16,453)	(16,576)
Foreign currency adjustment	(6)	(1,128)	(1,980)	(3,114)
At 31 December 2009	26,117	9,492	106,564	142,173
Provided during the year	2,535	2,685	26,502	31,722
Disposals	–	(1,345)	(7,351)	(8,696)
Foreign currency adjustment	(3)	(470)	(1,147)	(1,620)
At 31 December 2010	28,649	10,362	124,568	163,579
Net book value				
At 31 December 2010	38,742	9,272	40,868	88,882
At 31 December 2009	41,314	9,474	54,502	105,290
At 1 January 2009	43,927	8,736	70,652	123,315

Included in the figures above are the following amounts relating to leased assets which are used to satisfy specific customer contracts:

	Fixtures, fittings, equipment and vehicles	
	2010 £'000	2009 £'000
Cost		
At 1 January	85,651	82,661
Additions	4,262	10,462
Disposals	(5,844)	(7,472)
At 31 December	84,069	85,651
Accumulated depreciation and impairment		
At 1 January	47,579	31,742
Charge for year	18,766	23,309
Disposals	(4,884)	(7,472)
At 31 December	61,461	47,579
Net book value	22,608	38,072

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

13 Intangible assets

	Goodwill £'000	Software £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 January 2009	30,812	35,131	6,422	72,365
Additions	13,594	11,264	526	25,383
Acquisition of subsidiary undertaking	–	151	1,729	1,880
Disposals	(1,002)	(131)	–	(1,133)
Foreign currency adjustment	–	(989)	(32)	(1,020)
At 31 December 2009	43,404	45,426	8,645	97,475
Additions	–	12,774	–	12,774
Foreign currency adjustment	(437)	(312)	(80)	(829)
At 31 December 2010	42,967	57,888	8,565	109,420
Amortisation and impairment				
At 1 January 2009	–	17,661	3,153	20,814
Charged during the year	–	4,114	517	4,631
Disposals	–	(131)	–	(131)
Foreign currency adjustment	–	(791)	(13)	(804)
At 31 December 2009	–	20,853	3,657	24,510
Charged during the year	–	5,801	749	6,550
Foreign currency adjustment	–	(158)	(13)	(171)
At 31 December 2010	–	26,496	4,393	30,889
Net book value				
At 31 December 2010	42,967	31,392	4,172	78,531
At 31 December 2009	43,404	24,573	4,988	72,965
At 1 January 2009	30,812	17,470	3,269	51,551

14 Impairment testing of goodwill and other intangible assets

Goodwill acquired through business combinations have been allocated to the following cash-generating units:

- Computacenter (UK) Limited
- RD Trading
- Computacenter Germany

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

Movements in goodwill

	Computacenter (UK) Limited £'000	RD Trading £'000	Computacenter Germany £'000	Total £'000
1 January 2009	29,977	835	-	30,812
Additions	1,454	-	12,140	13,594
Disposals	(1,002)	-	-	(1,002)
31 December 2009	30,429	835	12,140	43,404
Foreign currency adjustment	-	-	(437)	(437)
31 December 2010	30,429	835	11,703	42,967

On 27 November 2009, Computacenter UK sold its Trade Distribution business. As a consequence, directly attributable goodwill of £1,002,000 was disposed of, and included within the exceptional profit on disposal of business (note 5). This goodwill arose from the acquisition of Metrologie UK in 1999.

Additions to goodwill in 2009 arose from the purchase of becom in Germany on 26 November 2009 and Thesaurus in the UK on 27 November 2009.

The acquired assets and liabilities of becom were fully integrated within Computacenter Germany during the first half of 2010. The goodwill arising on the acquisition is tested for impairment against the Computacenter Germany cash-generating unit.

The acquired assets and liabilities of Thesaurus were immediately integrated within Computacenter (UK) Limited, consequently the goodwill arising on the acquisition is tested for impairment against the Computacenter (UK) Limited cash-generating unit.

Key assumptions used in value-in-use calculations

The recoverable amounts of all three cash-generating units have been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a three-year period and on long-term market growth rates of 2.5 per cent (2009: 2.5 per cent) thereafter.

Key assumptions used in the value-in-use calculation for all cash-generating units for 31 December 2010 and 31 December 2009 are:

- budgeted revenue, which is based on long-run market growth forecasts;
- budgeted gross margins, which are based on average gross margins achieved in the year immediately before the budgeted year, adjusted for expected long-run market pricing trends; and
- the discount rate applied to cash flow projections is 12.0 per cent (2009: 12.0 per cent).

Each cash-generating unit generates value substantially in excess of the carrying value of goodwill attributed to each of them. Management therefore believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

No impairment provision on goodwill has been required at either 31 December 2010 or at 31 December 2009.

Other intangible assets

Other intangible assets consist of customer contracts, customer relationships and tools and technology. The expected useful lives are shown in note 2.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

15 Investments

a) Investment in associate

	2010 £'000	2009 £'000
Cost		
At 1 January	57	–
Acquired via subsidiary undertaking	–	57
At 31 December	57	57
Impairment		
At 1 January	–	–
Charge for year	(10)	–
At 31 December	(10)	–
Carrying value	47	57

During 2009 the Group acquired a 20 per cent interest in Gonicus GmbH as part of the acquisition of becom. Their principal activity is the provision of Open Source Software. Gonicus is a private entity, incorporated in Germany, that is not listed on any public exchange and therefore there is no published quotation price for the fair value of this investment. The reporting date of Gonicus is 31 December. An impairment provision of £10,000 (2009: £nil) has been recorded in 2010 as a result of losses expected at Gonicus GmbH. The carrying value of the investment at 31 December 2010 £47,000 (2009: £57,000).

b) Investment in subsidiaries

The Group's principal subsidiary undertakings are as follows:

Name	Country of incorporation	Nature of business	Proportion of voting rights and shares held	
			2010	2009
Computacenter (UK) Limited	England	IT Infrastructure services	100%	100%
Computacenter France SA	France	IT Infrastructure services	100%	100%
Computacenter Holding GmbH	Germany	IT Infrastructure services	100%	100%
Computacenter GmbH	Germany	IT Infrastructure services	100%	100%
CC Managed Services GmbH	Germany	IT Infrastructure services	100%	100%
Computacenter NV/SA	Belgium	IT Infrastructure services	100%	100%
RD Trading Limited	England	IT Asset Management	100%*	100%*
Computacenter PSF SA	Luxembourg	IT Infrastructure services	100%	100%
Computacenter USA	USA	IT Infrastructure services	100%*	100%*
Computacenter Services (Iberia) SLU	Spain	International Call Centre Services	100%*	100%*
Digica Group Holdings Limited	England	IT infrastructure and application services	100%	100%
Allnet Limited	England	In-premises cabling services	100%	100%
becom Informationssysteme GmbH	Germany	IT Infrastructure services	100%**	100%**

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

** Includes indirect holdings of 100 per cent via Computacenter Holding GmbH.

Computacenter plc is the ultimate parent entity of the Group.

16 Business combinations

becom Informationssysteme GmbH ('becom')

On 26 November 2009 the Group acquired 100 per cent of the voting shares of becom for a consideration of €2.0 million. The costs of acquisition amounted to €258,000. becom is based in Germany and is a leading IT infrastructure services provider. The acquisition has been accounted for using the purchase method of accounting. The 2009 consolidated financial statements include the results of becom for the one month period from the acquisition date.

The book and fair values of the net assets at date of acquisition and at 31 December 2010 were as follows:

	2009 Book value £'000	2009 Provisional fair value to Group £'000	2010 Final fair value to Group £'000
Intangible assets			
Comprising:			
Existing customer relationships	–	1,348	1,348
Software	151	151	151
Total intangible assets	151	1,499	1,499
Property, plant and equipment	376	376	376
Investment in associate	169	64	64
Deferred income tax assets	–	388	388
Inventories	275	275	275
Trade and other receivables	13,512	12,220	12,220
Prepayments	91	91	91
Cash and short-term deposits	286	286	286
Trade and other payables	(15,009)	(17,706)	(17,706)
Deferred income	(110)	(110)	(110)
Bank overdraft	(7,111)	(7,111)	(7,111)
Deferred tax liabilities	–	(405)	(405)
Net liabilities	(7,370)	(10,133)	(10,133)
Goodwill arising on acquisition		12,140	12,140
		2,007	2,007
Discharged by:			
Cash paid		1,778	1,778
Costs associated with the acquisition, settled in cash		229	229
		2,007	2,007
Cash and cash equivalents acquired			
Cash and short-term deposits		(286)	(286)
Bank overdraft		7,111	7,111
Cash outflow on acquisition		8,832	8,832

From the date of acquisition to 31 December 2009, becom contributed £12,114,000 to the Group's revenue and £196,000 to the Group's profit after tax.

The provisional and final fair values include adjustments to the book values to recognise additional accruals for further expected tax liabilities and to reflect the value of the customer relationships acquired with the business. At acquisition becom held various intercompany balances with other companies within the Group of which it was a member. As part of the fair value calculations the Group has made provision against these receivables where it does not expect to recover the amounts due. Deferred tax assets arise from the temporary differences on the other fair value adjustments.

Included in the £12,140,000 of goodwill that arose on acquisition are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

16 Business combinations continued

Thesaurus Computer Services Limited ('Thesaurus')

On 27 November 2009 the Group acquired certain assets and liabilities of Thesaurus from Thesaurus Computer Services Limited and BDO LLP for a consideration of £900,000. The costs of acquisition amounted to £10,000. Thesaurus is a private company based in the UK which provides mainframe service solutions.

The book and provisional and final fair values of the assets acquired were as follows:

	2009 Book value £'000	2009 Provisional fair value to Group £'000	2010 Final fair value to Group £'000
Customer relationships	–	381	381
Creditors	(146)	(146)	(146)
Deferred income	(779)	(779)	(779)
Net liabilities	(925)	(544)	(544)
Goodwill arising on acquisition		1,454	1,454
		910	910
Discharged by:			
Cash		900	900
Costs associated with the acquisition, settled in cash		10	10
		910	910

From the date of acquisition to 31 December 2009, Thesaurus contributed £1,003,000 to the Group's revenue and £52,000 to the Group's profit after tax.

Included in the goodwill of £1,454,000 recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies and an assembled workforce.

If the acquisitions of becom and Thesaurus had taken place at the beginning of 2009, Group revenues for the year ended 31 December 2009 would have been £2,596,314,000 and profit after tax would have been £27,528,000. In the 11 months prior to acquisition in 2009, becom reported a loss of £10,330,000.

17 Inventories

	2010 £'000	2009 £'000
Inventories for re-sale	81,569	67,086

18 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	467,808	473,336
Other receivables	3,325	2,310
	471,133	475,646

For terms and conditions relating to related party receivables, refer to note 32.

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

Note 24 sets out the Group's strategy towards credit risk.

18 Trade and other receivables *continued*

The movements in the provision for impairment of receivables were as follows:

	2010 £'000	2009 £'000
At 1 January	10,977	13,545
Charge for the year	10,120	7,367
Utilised	(3,548)	(4,310)
Unused amounts reversed	(3,748)	(5,042)
Foreign currency adjustment	(701)	(583)
At 31 December	13,100	10,977

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired				
			<30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2010	467,808	384,107	60,184	14,015	3,971	2,701	2,830
2009	473,336	393,215	55,281	14,719	6,426	1,977	1,718

At 31 December 2010, Trade receivables include receivables sold and financed through factoring transactions of £191.0 million (2009: £299.2 million) which do not meet IAS 39 criteria for derecognition. These receivables continue to be recognised in full in the Group financial statements even though they are legally subject to the factoring arrangement; a corresponding liability is recorded in the consolidated balance sheet as Factor Financing (see Note 21).

19 Cash and short-term deposits

	2010 £'000	2009 £'000
Cash at bank and in hand	104,269	53,017
Short-term deposits	55,000	55,000
	159,269	108,017

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £159,269,000 (2009: £108,017,000).

Due to strong cash generation over the past three years, the Group is now in a position where it can finance its requirements from its cash balance. As a result, the Group has not renewed a number of overdraft and factoring facilities during 2010, and consequently the uncommitted overdraft and factoring facilities available to the Group has reduced to £15.5 million at 31 December 2010 (2009: £100.3 million).

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

	2010 £'000	2009 £'000
Cash at bank and in hand	104,269	53,017
Short-term deposits	55,000	55,000
Bank overdrafts (note 21)	(3,336)	(3,063)
	155,933	104,954

20 Trade and other payables

	2010 £'000	2009 £'000
Trade payables	258,861	229,038
Other payables	181,929	149,891
	440,790	378,929

Terms and conditions of the above financial liabilities:

For terms and conditions relating to related parties, refer to note 32.

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

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

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

21 Financial liabilities

	2010 £'000	2009 £'000
Current		
Bank overdrafts	3,336	3,063
Other loans – 'CSF'	2,024	6,315
Other loans – 'Non-CSF'	–	3,605
Factor financing	16,494	14,846
Current obligations under finance leases – 'CSF' (note 22a)	16,082	20,718
Current obligations under finance leases – 'Non-CSF' (note 22a)	–	100
	37,936	48,647
Non-current		
Other loans – 'CSF'	1,508	173
Non-current obligations under finance leases – 'CSF' (note 22a)	8,812	21,849
	10,320	22,022

a) Bank overdrafts

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

b) Finance leases

The finance leases are only secured on the assets that they finance. These assets are in the main used to satisfy specific customer contracts. There are a small number of assets that are utilised internally.

c) Other loans

The other loans are unsecured borrowings to finance equipment sold to customers on specific contracts or for equipment for own use.

Other loans comprise the following:

	Maturity date	Interest rate	£'000
31 December 2010			
	2011	0%–7.84%	1,988
	2012	0%	1,504
	2013	3.95%–4.60%	34
	2014	3.09%–4.25%	4
	2015	2.47%–3.34%	2
			3,532
Less: current instalments due on other loans			2,024
			1,508

	Maturity date	Interest rate	£'000
31 December 2009			
	2010	0%–6.91%	9,696
	2011	7.84%	270
	2013	3.95%–4.60%	119
	2014	3.09%–4.25%	8
			10,093
Less: current instalments due on other loans			9,920
			173

The table below summarises the maturity profile of these loans:

	2010 £'000	2009 £'000
Not later than one year	2,024	9,920
After one year but not more than five years	1,508	173
	3,532	10,093

The finance lease and loan facilities are committed.

21 Financial liabilities continued

d) Factor financing

Computacenter UK has access to factor financing arrangements.

France

Factor finance expired during the year and has not been renewed.

UK

Factor financing is in respect of trade debts factored with recourse which represents a proportion of the debts. Under the terms of the arrangement certain trade debts are sold to the factor who in turn advances cash payments in relation to these debts. A non-utilisation fees is payable at 0.25 per cent of the available facility where the amounts drawn down equate to less than 50 per cent of said facility. In the event of a default in payment of a debtor the Group is obliged to support losses to the extent of cash advanced against that debt. In normal circumstances this will be recovered from the cash pool of debts in which they hold an interest. The Group is obliged to repay any advance of cash in excess of the maximum amount available for draw-down as calculated under the terms of the agreement.

e) Facilities

At 31 December 2010, the Group had available £15.5 million of uncommitted overdraft facilities (2009: £100.3 million of uncommitted overdraft and factoring facilities). The Group also had access to a £60.0 million (2009: £60.0 million) committed facility of which £43.5 million (2009: £42.9 million) is not utilised as at the balance sheet date. This facility is due to expire in May 2011.

22 Obligations under leases

a) Finance lease commitments

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

	2010		2009	
	Minimum payments £'000	Present value of payments £'000	Minimum payments £'000	Present value of payments £'000
Within one year	16,843	16,082	22,462	20,818
After one year but not more than five years	9,343	8,812	22,848	21,849
	26,186	24,894	45,310	42,667
Future finance charges	(1,292)		(2,643)	
Present value of finance lease obligation	24,894		42,667	

b) Operating lease commitments where the Group is lessee

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

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

	2010 £'000	2009 £'000
Not later than one year	36,377	35,756
After one year but not more than five years	63,231	47,993
More than five years	16,294	14,574
	115,902	98,323

c) Operating lease receivables where the Group is lessor

During the year the Group entered into commercial leases with customers on certain items of machinery. These leases have remaining terms of between one and five years.

Future amounts receivable by the Group under the non-cancellable operating leases as at 31 December are as follows:

	2010 £'000	2009 £'000
Not later than one year	17,138	22,948
After one year but not more than five years	7,887	14,704
	25,025	37,652

The amounts receivable are directly related to the finance lease obligations detailed in note 21.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

23 Provisions

	Property provisions £'000
At 1 January 2010	13,807
Arising during the year	2,132
Utilised	(2,309)
Movement in discount rate	(5)
Exchange adjustment	(232)
At 31 December 2010	13,393
<i>Current 2010</i>	2,644
<i>Non-current 2010</i>	10,749
	13,393
<i>Current 2009</i>	2,202
<i>Non-current 2009</i>	11,605
	13,807

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

24 Financial instruments

An explanation of the Group's financial instrument risk management objectives, policies and strategies are set out in the Finance Director's Review on pages 18 to 21.

Credit risk

The Group principally manages credit risk through management of customer credit limits. The credit limits are set for each customer based on the creditworthiness of the customer and the anticipated levels of business activity. These limits are initially determined when the customer account is first set up and are regularly monitored thereafter. The balance of trade receivables relates to customers for whom there is no recent history of default. In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date. The maximum exposure on trade receivables, as at the reporting date, is their carrying value. In France, credit risk is mitigated through a credit insurance policy which applies to non-Government customers and provides insurance for approximately 50 per cent of the relevant credit risk exposure.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents.

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

Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings, cash and short-term deposits, invoice factoring in the UK and finance leases and loans for certain customer contracts. The Group's bank borrowings, other facilities and deposits are at floating rates. No interest rate derivative contracts have been entered into. When long-term borrowings are utilised, the Group's policy is to maintain these borrowings at fixed rates to limit the Group's exposure to interest rate fluctuations.

Fair values

The carrying value of the Group's short-term receivables and payables is a reasonable approximation of their fair values. The fair value of all other financial instruments carried within the Group's financial statements is not materially different from their carrying amount.

24 Financial instruments continued

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Change in basis points	Effect on profit before tax £'000
2010		
Sterling	+25	236
Euro	+25	38
2009		
Sterling	+25	97
Euro	+25	(52)

The impact of a reasonably possible decrease to the same range shown in the table would result in an opposite impact on the profit before tax of the same magnitude.

Forward currency contracts

At 31 December 2010 the Group held 148 foreign exchange contracts (2009: 61) as hedges of an inter-company loan and future expected payments to suppliers. The exchange contracts are being used to reduce the exposure to foreign exchange risk. The terms of these contracts are detailed below:

31 December 2010

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK	Euros	Sterling	€1,100,000	Feb 11	1.1628
	Dollars	Sterling	\$12,623,564	Jan-Mar 11	1.5572-1.6189
Germany	Dollars	Euros	\$75,468,000	Jan-Aug 11	1.228-1.417
	Euros	Dollars	€5,724,727	Jan-Apr 11	1.279-1.319

31 December 2009

	Buy currency	Sell currency	Value of contracts	Maturity dates	Contract rates
UK	Euros	Sterling	€2,630,000	Mar 10	1.1208
	Sterling	Dollars	\$5,632,000	Jan-Feb 10	1.584-1.615
	Sterling	SA rand	R400,500	Jan 10	11.9438
	Dollars	Sterling	\$2,537,000	Jan-Feb 10	1.594-1.668
	SA rand	Sterling	R801,000	Jan 10	11.958-11.978
Germany	Dollars	Euros	\$39,906,000	Jan-Apr 10	1.435-1.508
	Euros	Dollars	\$2,695,000	Jan-Feb 10	1.460-1.487

Exchange rate sensitivity

The majority of the transactions in each of the Group's geographical segments are denominated in the functional currency of that segment. There are, however, a limited number of transactions where foreign currency exchange risk exists. In these instances the Group enters into forward currency contracts, as shown in the above table, in order to mitigate such risk. At the end of the year the fair value of the outstanding contracts was an asset of £562,000 (2009: £726,000).

Other than differences arising from the translation of results of operations outside of the Group's functional currency, reasonably foreseeable movements in the exchange rates of +10 per cent or -10 per cent would not have a material impact on the Group's profit before tax or equity.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

24 Financial instruments continued

Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted payments:

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	>5 years £'000	Total £'000
Year ended 31 December 2010						
Financial liabilities	20,498	5,157	13,033	10,884	–	49,572
Property provisions	–	–	2,688	9,348	1,972	14,008
Trade and other payables	–	440,790	–	–	–	440,790
	20,498	445,947	15,721	20,232	1,972	504,370

	On demand £'000	<3 months £'000	3–12 months £'000	1–5 years £'000	>5 years £'000	Total £'000
Year ended 31 December 2009						
Financial liabilities	18,608	11,605	37,399	23,027	–	90,639
Property provisions	–	312	1,844	9,345	2,847	14,348
Trade and other payables	–	378,929	–	–	–	378,929
	18,608	390,846	39,243	32,372	2,847	483,916

Fair value measurements recognised in the consolidated balance sheet

Financial instruments which are recognised at fair value subsequent to initial recognition are grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The three levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 December 2010 the Group had forward currency contracts, which were measured at Level 2 fair value subsequent to initial recognition, to the value of an asset of £562,000 (31 December 2009: £726,000).

The realised losses from forward currency contracts in the period to 31 December 2010 of £164,000 (2009: gain of £1,370,000), are offset by broadly equivalent realised gains on the related underlying transactions.

25 Capital management

Computacenter's approach to capital management is to ensure that the Group has a strong capital base to support the development of the business and to maintain a strong credit rating, whilst aiming to maximise shareholder value.

Consistent with the Group's aim to maximise return to shareholders, the dividend policy is to maintain a dividend cover of between 2–2.5 times. In 2010 the cover was 2.5 times, on a pre-exceptional basis (2009: 2.5 times).

The Group's capital base is primarily utilised to finance its fixed assets and working capital requirements. The Group intends to optimise the use of working capital and improve its cash flow. As a consequence, the UK exited the Trade Distribution business in 2009, and has sourced an increasing proportion of its product business via distributors in order to reduce the working capital requirements of the business.

Capital is allocated across the Group in order to minimise the Group's exposure to exchange rates. Each country finances its own operations, typically resulting in borrowings in France with cash on deposit in the UK and Germany. During 2010, we introduced a cash pooling arrangement, which group companies can access and allows the Group to pool its funds without physical money movements.

In certain circumstances, the Group enters into customer contracts that are financed by leases, which are secured only on the assets that they finance, or loans. Whilst the outstanding amounts of this 'customer-specific financing' are included within net funds for statutory reporting purposes, the Group excludes this 'customer-specific financing' when managing the net funds of the business as this outstanding financing is matched by committed future revenues. These financing facilities, which are committed, are thus outside of the normal working capital requirements of the Group's product resale and services activities.

25 Capital management *continued*

The measures of net funds that the Group monitors are:

	2010 £'000	2009 £'000
Net funds excluding customer-specific financing	139,439	86,403
Customer-specific loans	(3,532)	(6,488)
Customer-specific finance leases	(24,894)	(42,567)
Net funds	111,013	37,348

The net funds (excluding customer-specific financing) improved in the year from £86.4 million to £139.4 million by the end of the year. The Group has a history of strong cash generation, however the rise in net funds in 2010 was unusual, given the increase in product revenues, due to a number of factors. Firstly, following the exit from the CCD business in the UK in late 2009, the UK increased the mix of its purchases via distributors, resulting in lower stock holdings. Secondly, the Group continued to benefit from the extension of a temporary improvement in credit terms with a significant vendor, equivalent to £38 million at 31 December 2010, an increase of approximately £8 million over the course of the year.

Each operating country manages working capital in line with Group policies. The key components of working capital, i.e. trade receivables, inventory and trade payables, are managed in accordance with an agreed number of days targeted in the budget process, in order to ensure efficient capital usage.

An important element of the process of managing capital efficiently is to ensure that each operating country rewards behaviour at an Account Manager and Account Director level to minimise working capital, at a transactional level. This is achieved by increasing commission payments for early payment by customers and reduced commission payments for late payment by customers, which encourages appropriate behaviour.

The Group regularly reviews the adequacy of its facilities against any foreseeable peak borrowing requirement and, as a result of the strong cash position, has allowed certain bank and factoring facilities to expire during 2010. At 31 December 2010, the Group had available £15.5 million of uncommitted overdraft facilities (2009: £100.3 million of uncommitted overdraft and factoring facilities). The Group also still has access to a £60.0 million (2009: £60.0 million) three year committed facility established in May 2008, of which £43.5 million (2009: £42.9 million) is not utilised at the balance sheet date. This facility is due to expire in May 2011.

26 Issued capital and reserves

Authorised share capital

In accordance with the Companies Act 2006, the Company no longer has an authorised share capital. The Company's Articles of Association has been amended to reflect this change.

A ordinary shares

Issued and fully paid	No. '000	£'000
At 1 January 2009	153,021	9,181
Ordinary shares issued during the year for cash on exercise of share options	78	5
At 31 December 2009	153,099	9,186
Purchase of own ordinary shares for cancellation	(115)	(7)
Ordinary shares issued during the year for cash	109	8
Ordinary shares issued during the year for cash on exercise of share options	787	46
At 31 December 2010	153,880	9,233

The holders of A ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Company. On a winding up of the Company, holders of A ordinary shares may be entitled to the residual assets of the Company.

The Company has a number of share option schemes under which options to subscribe for the Company's shares have been granted to certain executives and senior employees (note 27).

Share premium

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

Capital redemption reserve

The capital redemption reserve is used to maintain the Company's capital following the purchase and cancellation of its own shares. During the year the Company repurchased 115,371 of its own shares for cancellation (2009: nil).

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

26 Authorised and issued capital and reserves continued

Own shares held

Own shares held comprise the following:

i) Computacenter Employee Share Ownership Plan

Shares in the parent undertaking comprise 5,277,811 (2009: 4,998,011) 6 pence ordinary shares of Computacenter plc purchased by the Computacenter Employee Share Ownership Plan ('the Plan'). The number of shares held represents 3.4 per cent (2009: 3.3 per cent) of the Company's issued share capital.

None of these shares were awarded to executives of the Company under the Computacenter (UK) Limited Cash Bonus and Share Plan. Options previously awarded are to be held on behalf of employees and former employees of Computacenter (UK) Limited and their dependants, excluding Jersey residents. The distribution of these shares is dependant upon the trustee holding them on the employees' behalf for a restrictive period of three years.

Since 31 December 2002 the definition of beneficiaries under the ESOP Trust has been expanded to include employees who have been awarded options to acquire ordinary shares of 6 pence each in Computacenter plc under the other employee share plans of the Computacenter Group, namely the Computacenter Services Group plc Approved Executive Share Option Plan, the Computacenter Employee Share Option Scheme 1998, the Computacenter Services Group plc Unapproved Executive Share Option Scheme, the Computacenter Performance Related Share Option Scheme 1998, the Computacenter Sharesave Plus Scheme and any future similar share ownership schemes.

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

The Plan Trustees have waived the dividends receivable in respect of 5,277,811 (2009: 4,998,011) shares that it owns which are all unallocated shares.

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

The total shares held are 115,530 (2009: 730,565), which represents 0.1 per cent (2009 : 0.5 per cent) of the Company's issued share capital. All of these shares will continue to be held by the Quest until such time as the Sharesave options granted against them are exercised. The market value of these shares at 31 December 2010 was £448,256 (2009: £1,829,000). The Quest Trustees have waived dividends in respect of all of these shares. During the year the Quest subscribed for 407,023 (2009: nil) 6 pence ordinary shares.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

27 Share-based payments

Executive share option scheme

During the year, options were exercised with respect to 267,000 (2009: 115,000) 6 pence ordinary shares at a nominal value of £16,020 (2009: £6,900) at an aggregate premium of £674,980 (2009: £283,075).

Under the Computacenter Employee Share Option Scheme 1998 and the Computacenter Services Group Executive Share Scheme, options in respect of 285,000 (2009: 1,385,383) shares lapsed.

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

Date of grant	Exercisable between	Exercise price	2010 Number outstanding	2009 Number outstanding
27/09/2000	27/09/2003–26/09/2010	380.00p	–	169,000
19/09/2001	19/09/2005–18/09/2011	245.00p	–	50,000
19/09/2001	19/09/2006–18/09/2011	245.00p	–	50,000
10/04/2002	10/04/2005–09/04/2012	322.00p	168,816	203,816
10/04/2002	10/04/2005–09/04/2012	331.00p	35,000	45,000
21/03/2003	21/03/2006–20/03/2013	266.50p	42,500	62,500
02/04/2004	02/04/2007–01/04/2014	424.00p	39,000	45,000
24/10/2006	24/10/2009–23/10/2016	250.00p	1,462,800	1,674,800
17/04/2007	17/04/2010–16/04/2017	285.00p	225,200	225,200
			1,973,316	2,525,316

Please refer to the information given in the Directors' interest in share incentive schemes table in the Directors' Remuneration Report on page 39 for details of the vesting conditions attached to the Executive share options.

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

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Executive share option scheme				
Outstanding at the beginning of the year ¹	2,525,316	2.72	4,025,699	£2.93
Granted during the year	–	–	–	–
Forfeited during the year	(285,000)	3.34	(1,385,383)	£3.34
Exercised during the year ²	(267,000)	2.59	(115,000)	£2.52
Outstanding at the end of the year	1,973,316	2.65	2,525,316	£2.72
Exercisable at the end of the year	1,973,316	2.65	2,300,116	£2.71

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is 5.27 years (2009: 5.70 years).

Notes

¹ Included within this balance are options over 203,816 (2009: 517,816) shares that have not been accounted for under IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

² The weighted average share price at the date of exercise for the options exercised is £3.32 (2009 £3.20).

Computacenter Performance Related Share Option Scheme

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

During the year no options lapsed (2009: 206,367). No options were granted during the course of the year.

At 31 December 2010 the number of shares under outstanding options was as follows:

Date of grant	Exercisable between	Exercise price	2010 Number outstanding	2009 Number outstanding
10/04/2002	10/04/2005–09/04/2012	322.00p	189,440	189,440

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

27 Share-based payments continued

The following table illustrates the number ('No.')

 and weighted average exercise prices ('WAEP') of share options for the Performance Related Share Option Scheme.

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Computacenter performance related share option scheme				
Outstanding at the beginning of the year ¹	189,440	3.22	395,807	£3.75
Forfeited during the year	-	-	(206,367)	£4.24
Outstanding at the end of the year	189,440	3.22	189,440	£3.22
Exercisable at the end of the year	189,440	3.22	189,440	£3.22

Notes

¹ Included within this balance are options over 189,440 (2009: 189,440) shares that have not been accounted for under IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2010 is 1.3 years (2009: 2.3 years).

Computacenter LTIP Performance Share Plan

Under the Computacenter LTIP Performance Share Plan, shares granted will be subject to certain performance conditions as described in the Directors' Remuneration Report.

During the year 1,195,677 (2009: 3,029,337) shares were awarded, 850,791 (2009: 1,216,601) were exercised and 149,747 (2009: 383,260) lapsed.

At 31 December 2010 the number of shares outstanding was as follows:

Date of grant	Maturity date	Share price at date of grant	2010 Number outstanding	2009 Number outstanding
17/04/2007	01/04/2009	282.25p	-	35,526
17/04/2007	01/04/2010	282.25p	-	739,529
17/03/2008	17/03/2010	180.00p	-	180,347
17/03/2008	01/04/2011	180.00p	1,161,872	1,117,942
13/03/2009	13/03/2012	126.50p	1,282,117	1,323,685
13/03/2009	13/03/2011	126.50p	129,952	156,944
20/03/2009	20/03/2012	123.00p	1,500,000	1,500,000
15/03/2010	15/03/2013	315.8p	1,175,171	-
			5,249,112	5,053,973

The weighted average share price at the date of exercise for the options exercised is £3.12 (2009: £1.28).

The weighted average remaining contractual life for the options outstanding as at 31 December 2010 is 1.9 years (2009: 2.4 years).

Computacenter Sharesave Scheme

The Company operates a Sharesave Scheme which is available to all employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. All options granted under this scheme are satisfied at exercise by way of a transfer of shares from the Computacenter Qualifying Employee Share Trust. During the year 1,487,532 (2009: 585,766) options were granted with a fair value of £2,286,768 (2009: £543,319).

27 Share-based payments continued

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

Date of grant	Exercisable between	Share price	2010 Number outstanding	2009 Number outstanding
October-2004	01/12/2009–31/05/2010	335.00p	–	64,421
October-2005	01/12/2010–31/05/2011	222.00p	10,731	81,894
October-2006	01/12/2009–31/05/2010	254.00p	–	131,409
October-2006	01/12/2011–31/05/2012	254.00p	61,565	65,818
October-2007	01/12/2010–31/05/2011	178.00p	155,840	1,101,273
October-2007	01/12/2012–31/05/2013	178.00p	529,609	570,565
October-2009	01/12/2012–31/05/2013	320.00p	368,291	407,336
October-2009	01/12/2014–31/05/2015	320.00p	146,629	173,248
October-2010	01/12/2013–31/05/2014	286.00p	592,900	–
October-2010	01/12/2015–31/05/2016	258.00p	893,243	–
			2,758,808	2,595,964

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

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Sharesave scheme				
Outstanding at the beginning of the year	2,595,964	2.21	3,043,897	£2.13
Granted during the year	1,487,532	2.69	585,766	£3.20
Forfeited during the year	(305,699)	2.63	(970,622)	£2.36
Exercised during the year ¹	(1,018,989)	1.85	(63,077)	£2.31
Outstanding at the end of the year	2,758,808	2.55	2,595,964	£2.21
Exercisable at the end of the year	166,571	1.81	195,830	£2.81

Notes

¹ The weighted average share price at the date of exercise for the options exercised is £3.63 (2009: £2.68).

The weighted average remaining contractual life for the options outstanding as at 31 December 2010 is 3.5 years (2009: 2.3 years).

The fair value of the Executive Share Option Scheme, the Performance Related Share Option Scheme, the LTIP Performance Share Plan and Sharesave Scheme plans are estimated as at the date of grant using the Black-Scholes valuation model. The following tables give the assumptions made during the year ended 31 December 2010 and 31 December 2009:

2010

Nature of the arrangement	LTIP performance share plan	LTIP performance share plan	SAYE scheme	SAYE scheme
Date of grant	15/03/10	15/03/10	29/10/10	29/10/10
Number of instruments granted	1,075,637	120,040	593,109	894,423
Exercise price	£nil	£nil	£2.86	£2.58
Share price at date of grant	£3.16	£3.16	£3.66	£3.66
Contractual life (years)	3	2	3	5
Vesting conditions	See note 9 on page 38 in the Directors' remuneration report	See note 9 on page 38 in the Directors' remuneration report	Three-year service period and savings requirement	Five-year service period and savings requirement
Expected volatility	n/a	n/a	56.0%	49.10%
Expected option life at grant date (years)	3	2	3	5
Risk-free interest rate	n/a	n/a	1.88%	1.88%
Dividend yield	3.48%	3.48%	3.01%	3.01%
Fair value per granted instrument determined at grant date	£2.83	£2.83	£1.47	£1.58

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

27 Share-based payments continued

2009

Nature of the arrangement	LTIP performance share plan	LTIP performance share plan	LTIP performance share plan	SAYE scheme	SAYE scheme
Date of grant	20/03/09	13/03/09	13/03/09	29/10/09	29/10/09
Number of instruments granted	1,500,000	156,944	1,372,393	409,604	176,162
Exercise price	£nil	£nil	£nil	£3.20	£3.20
Share price at date of grant	£1.23	£1.27	£1.27	£2.94	£2.94
Contractual life (years)	3	3	3	3	5
Vesting conditions	See note 10 on page 38 in the Directors' remuneration report	See note 9 on page 38 in the Directors' remuneration report	See note 9 on page 38 in the Directors' remuneration report	Three-year service period and savings requirement	Five-year service period and savings requirement
Expected volatility	n/a	n/a	n/a	53.80%	48.90%
Expected option life at grant date (years)	3	3	3	3	5
Risk-free interest rate	n/a	n/a	n/a	2.80%	2.80%
Dividend yield	6.67%	6.48%	6.48%	2.79%	2.79%
Fair value per granted instrument determined at grant date	£0.99	£1.10	£1.02	£0.90	£1.00

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

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

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

28 Analysis of changes in net funds

	At 1 January 2010 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2010 £'000
Cash and short-term deposits	108,017	52,452	–	(1,200)	159,269
Bank overdraft	(3,063)	(383)	–	110	(3,336)
Cash and cash equivalents	104,954	52,069	–	(1,090)	155,933
Other loans and leases non-CSF	(3,705)	3,705	–	–	–
Factor financing	(14,846)	(1,568)	–	(80)	(16,494)
Net funds excluding customer-specific financing	86,403	54,206	–	(1,170)	139,439
Customer-specific finance leases	(42,567)	20,641	(3,468)	500	(24,894)
Customer-specific other loans	(6,488)	2,960	–	(4)	(3,532)
Total customer-specific financing	(49,055)	23,601	(3,468)	496	(28,426)
Net funds	37,348	77,807	(3,468)	(674)	111,013

	At 1 January 2009 £'000	Cash flows in year £'000	Non-cash flow £'000	Exchange differences £'000	At 31 December 2009 £'000
Cash and short-term deposits	53,372	55,698	–	(1,052)	108,017
Bank overdraft	(6,483)	2,901	–	519	(3,063)
Cash and cash equivalents	46,889	58,598	–	(533)	104,954
Other loans and leases non-CSF	–	(3,705)	–	–	(3,705)
Factor financing	(42,280)	25,600	–	1,834	(14,846)
Net funds excluding customer-specific financing	4,609	80,493	–	1,301	86,403
Customer-specific finance leases	(55,191)	21,056	(10,163)	1,731	(42,567)
Customer-specific other loans	(34,009)	27,496	–	25	(6,488)
Total customer-specific financing	(89,200)	48,552	(10,163)	1,756	(49,055)
Net (debt)/funds	(84,591)	129,045	(10,163)	3,057	37,348

29 Adjusted management cash flow statement

The adjusted management cash flow has been provided to explain how management view the cash performance of the business. There are two primary differences to this presentation compared to the statutory cash flow statement, as follows:

- 1) Factor financing is not included within the statutory definition of cash and cash equivalents, but operationally is managed within the total net funds/borrowings of the businesses; and
- 2) Items relating to customer-specific financing are adjusted for as follows:
 - a. Interest paid on customer-specific financing is reclassified from interest paid to adjusted operating profit; and
 - b. Where customer-specific assets are financed by finance leases and the liabilities are matched by future amounts receivable under customer operating lease rentals, the depreciation of leased assets and the repayment of the capital element of finance leases are offset within net working capital; and
 - c. Where assets are financed by loans and the liabilities are matched by amounts receivable under customer operating lease rentals, the movement on loans within financing activities is offset within working capital.

	2010 £'000	2009 £'000
Adjusted profit before taxation	66,053	54,225
Net finance income	(1,626)	(302)
Depreciation and amortisation	19,506	17,695
Share-based payment	2,620	2,555
Working capital movements	21,358	65,337
Other adjustments	293	(1,567)
Adjusted operating cash inflow	108,204	137,943
Net interest received	1,204	1,149
Income taxes paid	(11,281)	(17,500)
Capital expenditure and disposals	(25,258)	(21,294)
Acquisitions and disposals	-	(6,775)
Equity dividends paid	(16,984)	(12,514)
Cash inflow before financing	55,885	81,009
Financing		
Proceeds from issue of shares	822	44
Purchase of own shares	(2,501)	(560)
Increase in net funds excluding CSF in the period	54,206	80,493
Increase in net funds excluding CSF	54,206	80,493
Effect of exchange rates on net funds excluding CSF	(1,170)	1,301
Net funds excluding CSF at beginning of period	86,403	4,609
Net funds excluding CSF at end of period	139,439	86,403

30 Capital commitments

At 31 December 2010 and 31 December 2009 the Group held no significant commitments for capital expenditure.

31 Pensions and other post-employment benefit plans

The Group has a defined contribution pension plan, covering substantially all of its employees in the UK. The amount recognised as an expense for this plan is detailed in note 6.

Notes to the consolidated financial statements continued

For the year ended 31 December 2010

32 Related party transactions

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

Biomni provides the Computacenter e-procurement system used by many of Computacenter's major customers. An annual fee has been agreed on a commercial basis for use of the software for each installation. Both PJ Ogden and PW Hulme are Directors of and have a material interest in Biomni Limited.

The table below provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

	Sales to related parties £'000	Purchases from related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Biomni Limited	12	31	2	—

Terms and conditions of transactions with related parties

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

Compensation of key management personnel (including Directors)

The Board of Directors is identified as the Group's key management personnel. Please refer to the information given in the Directors' remuneration table in the Directors' Remuneration Report on page 39 for details of compensation given to the Group's key management personnel. A summary of the compensation of key management personnel is provided below:

	2010 £'000	2009 £'000
Short-term employee benefits	1,734	1,725
Social security costs	353	235
Share based payment transactions	974	951
Pension costs	12	11
Total compensation paid to key management personnel	3,073	2,922

The interest of the key management personnel in the Group's share incentive schemes are disclosed in the Directors' remuneration report on page 39.

33. Events after the reporting period

On 15 February 2011, the Group announced its agreement to acquire TOP Info SAS and its subsidiaries ('Top Info'), an information technology reseller of hardware, software and services based in Paris, France. The acquisition is still subject to competition clearance in France, with the closing date not expected before the end of March 2011. The expected consideration totals €21 million payable on the closing date with an additional €1 million dependant upon the performance of Top Info in the period to 31 December 2011. The management and exercise of control over Top Info will not pass to Computacenter until the closing date.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Computacenter plc

We have audited the Parent Company financial statements of Computacenter plc for the year ended 31 December 2010 which comprise the Company Balance Sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 87, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

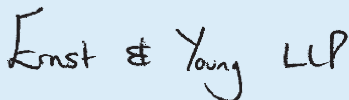
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Computacenter plc for the year ended 31 December 2010.



Nick Powell (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 March 2011

Company balance sheet

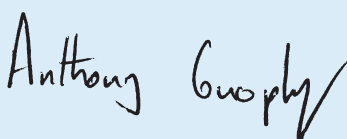
As at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	2	110,221	118,721
Tangible assets	3	25,331	26,947
Investments	4	161,943	159,323
		297,495	304,991
Current assets			
Debtors	5	90,126	90,126
Cash at bank and in hand		791	17
		90,917	90,143
Creditors: amounts falling due within one year	6	113,569	146,364
Net current liabilities		(22,652)	(56,221)
Total assets less current liabilities		274,843	248,770
Creditors: amounts falling due after more than one year	7	26,704	35,704
Provisions for liabilities and charges	8	246	436
Total assets less liabilities		247,893	212,630
Capital and reserves			
Called up share capital	9	9,233	9,186
Share premium account	9	3,697	2,929
Capital redemption reserve	9	74,957	74,950
Merger reserve	9	55,990	55,990
Own shares held	9	(8,185)	(7,696)
Profit and loss account	9	112,201	77,271
Equity shareholders' funds		247,893	212,630

Approved by the Board on 9 March 2011



MJ Norris
Chief Executive



FA Conophy
Finance Director

Notes to the Company financial statements

For the year ended 31 December 2010

1 Accounting policies

Basis of preparation

The financial statements of Computacenter plc were approved for issue in accordance with a resolution of the Directors on 9 March 2011. The balance sheet was signed on behalf of the Board by MJ Norris and FA Conophy.

The financial statements are prepared under the historical cost convention and in accordance with the applicable UK Accounting Standards.

No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006. The profit after tax for the Company was £51,306,000 (2009: £826,000). There are no other recognised gains or losses other than the profit for the year.

The Company has taken advantage of the exemption in paragraph 2D(b) of FRS 29 Financial Instruments: Disclosure and has not disclosed information required by that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosures.

Intellectual property

Licences purchased in respect of intellectual property are capitalised, classified as an intangible asset on the balance sheet and amortised on a straight-line basis over the period of the licence, normally 20 years.

Depreciation of fixed assets

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

Freehold buildings	25 years
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Investments

Fixed asset investments are shown at cost less provision for impairment. In addition, subsequent to the adoption of UITF Abstract 41, investments in subsidiaries also include the FRS 20 cost of share-based payments.

Impairment of assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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.

Share-based payment transactions

The expense for share-based payments is recognised in the subsidiary companies employing the relevant employees. The Company records a corresponding increase in its investments in subsidiaries with a credit to equity which is equivalent to the FRS 20 cost in the subsidiary undertakings.

Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2 Intangible assets

	Intellectual property £'000
Cost	
At 1 January 2010 and 31 December 2010	169,737
Amortisation	
At 1 January 2010	51,016
Charge in the year	8,500
At 31 December 2010	59,516
Net book value	
At 31 December 2010	110,221
At 31 December 2009	118,721

3 Tangible assets

	Freehold land and buildings £'000
Cost	
At 1 January 2010 and 31 December 2010	42,350
Depreciation	
At 1 January 2010	15,403
Charge in the year	1,616
At 31 December 2010	17,019
Net book value	
At 31 December 2010	25,331
At 31 December 2009	26,947

4 Investments

	Investments in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Investment £'000	Total £'000
Cost				
At 1 January 2010	228,487	2,754	25	231,266
Share-based payments	2,620	–	–	2,620
At 31 December 2010	231,107	2,754	25	233,886
Amounts provided				
At 1 January 2010 and 31 December 2010	69,164	2,754	25	71,943
Net book value				
At 31 December 2010	161,943	–	–	161,943
At 31 December 2009	159,323	–	–	159,323

Details of the principal investments at 31 December in which the Company holds more than 20 per cent of the nominal value of ordinary share capital are given in the Group accounts in note 15.

Notes to the Company financial statements continued

For the year ended 31 December 2010

5 Debtors

	2010 £'000	2009 £'000
Amount owed by subsidiary undertaking	90,000	90,000
Other debtors	126	126
	90,126	90,126

6 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Amount owed to subsidiary undertaking	112,446	145,853
Accruals	568	137
Corporation tax	555	374
	113,569	146,364

7 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Deferred income	26,704	35,704

8 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 January 2010	436
Capital allowances in advance of depreciation	(190)
At 31 December 2010	246

The deferred tax balance all relates to capital allowances in advance of depreciation.

9 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Own shares held £'000	Merger reserve £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2009	9,181	2,890	74,950	(9,208)	55,990	88,476	222,279
Shares issued	5	39	–	–	–	–	44
Exercise of options	–	–	–	2,072	–	(2,072)	–
Total recognised gains and losses in the year	–	–	–	–	–	826	826
Purchase of own shares	–	–	–	(560)	–	–	(560)
Share options granted to employees of subsidiary companies	–	–	–	–	–	2,555	2,555
Equity dividends	–	–	–	–	–	(12,514)	(12,514)
At 31 December 2009	9,186	2,929	74,950	(7,696)	55,990	77,271	212,630
Shares issued	8	504	–	–	–	–	512
Exercise of options	46	264	–	1,563	–	(1,563)	310
Total recognised gains and losses in the year	–	–	–	–	–	51,306	51,306
Purchase of own shares	–	–	–	(2,501)	–	–	(2,501)
Cancellation of own shares	(7)	–	7	449	–	(449)	–
Share options granted to employees of subsidiary companies	–	–	–	–	–	2,620	2,620
Equity dividends	–	–	–	–	–	(16,984)	(16,984)
At 31 December 2010	9,233	3,697	74,957	(8,185)	55,990	112,201	247,893

10 Contingent liabilities

The Company has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding £8,000,929 (2009: £6,715,000), and to a customer of a subsidiary undertaking for an amount not exceeding £5,998,800 (2009: £13,333,00).

The Company has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December is £3,336,000 (2009: £3,063,000).

11 Related party transactions

The Company has taken the exemption in FRS 8 not to disclose transactions with other wholly owned Group Companies.

The Company has not traded with any of the related parties disclosed in note 32 of the Group accounts.

12 Auditors' remuneration

All auditors' remuneration is borne by Computacenter (UK) Ltd, a fully-owned UK subsidiary of the Company.

Group five-year financial review

Year ended 31 December

	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m
Revenue	2,269.9	2,379.1	2,560.1	2503.2	2,676.5
Adjusted* operating profit	33.3	41.7	42.1	53.9	64.4
Adjusted* profit before tax	38.0	42.7	43.1	54.2	66.1
Profit for the year	18.9	28.9	37.3	37.7	50.3
Adjusted* diluted earnings per share	13.8p	18.5p	21.0p	27.7p	33.0p
Net cash/(debt) excluding CSF	29.4	(16.2)	4.6	86.4	139.4
Year-end headcount	9,328	9,877	10,220	10,296	10,566

* Before amortisation of acquired intangibles and exceptional items. Adjusted operating profit is stated after charging finance costs on customer-specific financing. In 2008 and 2009 adjusted diluted EPS also excludes the effects of exceptional items within the tax charge for the year.

Group summary balance sheet

Year ended 31 December

	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m
Tangible assets	84.9	116.4	123.3	105.3	88.9
Intangible assets	9.9	45.2	51.6	73.0	78.5
Deferred tax asset	6.2	8.2	16.7	16.4	15.5
Inventories	94.6	110.5	105.8	67.1	81.6
Trade and other receivables	427.3	454.2	529.5	475.6	471.1
Prepayments and accrued income	50.4	61.4	97.7	85.3	84.2
Forward currency contracts	0.1	(0.4)	(0.6)	0.7	0.6
Cash	77.9	29.2	53.4	108.0	159.3
Current liabilities	(459.8)	(496.1)	(602.6)	(557.5)	(588.2)
Non-current liabilities	(26.4)	(50.4)	(53.6)	(35.5)	(22.0)
Net assets	265.2	278.1	321.1	338.6	369.6

Financial calendar

Title	Date
Dividend record date	13 May 2011
AGM	13 May 2011
Dividend payment date	10 June 2011
Interim results announcement	30 August 2011
Dividend record date	16 September 2011
Dividend payment date	14 October 2011

Overview

Business review

Governance

Financial statements

Corporate information

Board of Directors

Greg Lock (Non-Executive Chairman)
Mike Norris (Chief Executive)
Tony Conophy (Finance Director)
Brian McBride (Senior Independent Director)
Phillip Hulme (Non-Executive Director)
Ian Lewis (Non-Executive Director)
Peter Ogden (Non-Executive Director)
John Ormerod (Non-Executive Director)

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Produced by luminous.co.uk



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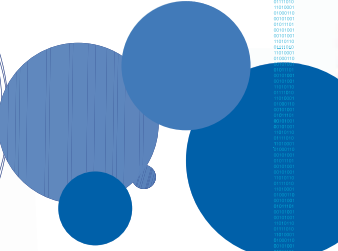
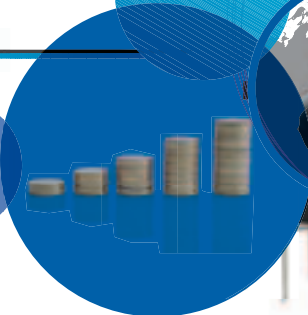
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