# Annual Report and Accounts 1999

Where vision meets know-how

Computacenter

Contents:





## Where vision meets know-how

This report shows how, once again in 1999, we worked with our customers to help them realise their vision.

Through anticipating and acting on our customers' needs, by continuous investment in our systems and services, and through the knowledge, experience and ongoing commitment of our staff, we strive to make the difference.

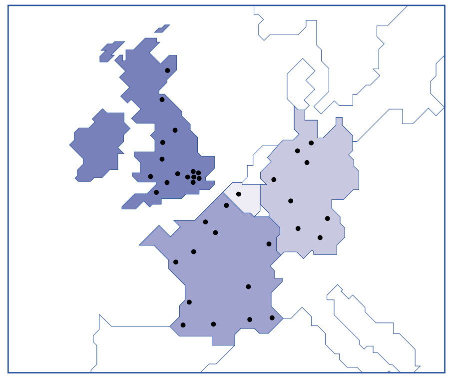
**Cover:** Our staff make the difference. Computacenter is both people and technology driven, and is committed to the continuous development of both.

## Computacenter at-a-glance

| Turnover by country of origin |
|---|
| **United Kingdom:** £1460.5m (83%) |
| **France:** £223.0m (12.7%) |
| **Germany:** £72.3m (4%) |
| **Belgium:** £4.8m (0.3%) |

| Turnover growth by country of origin 1998-1999 |
|---|
| **United Kingdom:** £77.1m (+5.6%) |
| **France:** £57.2m (+34.5%) |
| **Germany:** £35.2m (+94.9%) |
| **Belgium:** n/a |

**International presence**



**ICG**
Computacenter is a founding member of the International Computer Group (ICG), a world-wide network of 46 partners in 53 countries serving customers requiring IT products and services deployed internationally. For more information, visit *www.icg-global.com*

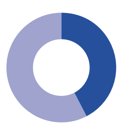
**Year-end Group employee numbers 1995-1999**

| | |
|---|---|
| 1999 | 5,618 |
| 1998 | 4,582 |
| 1997 | 3,245 |
| 1996 | 2,359 |
| 1995 | 1,744 |

| Employee growth by country 1998-1999 |
|---|
| **United Kingdom:** 663 (+17.4%) |
| **France:** 207 (+37.7%) |
| **Germany:** 139 (+62.3%) |
| **Belgium:** n/a |

**Business activity 1999**
Computacenter delivers products and services via four dedicated parts of its organisation, each providing a range of specialised services to both internal and external customers.

**Managed Services**
2,382 staff (42.4%)



The fastest growing part of Computacenter's services capability in 1999, this group of over 2,300 staff across Europe provide a range of managed customer support services, each designed to reduce costs and increase the value of distributed IT investments. Our goal is to provide a flexible service designed to ease the burden of managing large distributed IT environments. Services range from network administration and software licence management to undertaking user installations, moves and upgrades. This division also offers a remote and on-site IT help desk service, with our dedicated call centre in the UK typically handling over 75,000 customer calls a month.

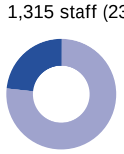
**Professional Services**
608 staff (10.8%)

Our team of over 600 staff provide the vital planning, technical consulting and project management resource needed to implement large scale distributed IT programmes. Computacenter holds over 70 corporate accreditations from leading IT vendors such as Compaq, Cisco and Microsoft. As a Microsoft Alliance Partner since 1998, we have invested significantly in technical training with over 1,500 Microsoft personal accreditations at the end of 1999. In 1998 we formed a dedicated e-business division known as The iGroup, providing consulting and implementation services to our customers. This group has grown to over 60 staff and launched several innovative products and services during 1999.

**Supply Chain Services**
1,313 staff (23.4%)

Computacenter's Supply Chain Services Division provides the IT products and customised configuration and delivery services on which the Group's customers depend. Through logistics centres in the UK, France and Germany, Computacenter provides customers with a choice of over 23,000 hardware and software products from over 1,200 IT suppliers. These range from workgroup servers and desktop PCs to network routers, operating system and application software. We employ over 1,300 staff across the Group in this area, who provide a tailored service for those customers that need IT systems specified, tested, asset labelled, configured and delivered to their exact requirements.

**Customer Services**
1,315 staff (23.4%)



Over 500 account managers across the Group provide the vital interface with more than 4,000 customers. Based locally at our 36 offices in the UK, France, Germany and Belgium, account managers, working in teams, anticipate and identify customers' needs. They then engage the appropriate IT partners and service providers across the Group to specify and deliver best-in-class products and services. These are supported by over 800 staff in Purchasing, Marketing, IT, HR, Finance and other essential functions who provide the vital back-office support and systems that keep our businesses running every day across Europe.



**Financial highlights**

Computacenter continued its unbroken record of growth in revenue and profit before tax in the UK.

Group turnover increased by 11.0% from £1,586.2 million in 1998 to £1,760.6 million (€2,670.8 million*) in 1999.

Profit before tax rose by 16.3% from £64.6 million in 1998 to £75.1 million (€113.9 million*) in 1999.

Diluted earnings per share increased by 19.6% from 23.5p in 1998 to 28.1p (42.6 cents*) in 1999.

* All Euro values were calculated using the following rate: £1= €1.517
1 Excluding results of overseas associated undertakings
2 Amended in accordance with FRS redefinition

**Turnover** (£m)

**+ 11.0%**
£1,760.6m

| | |
|---|---|
| 1999 | 1,760.6 |
| 1998 | 1,586.2 |
| 1997 | 1,133.5 |
| 1996 | 882.5 |
| 1995 | 564.1 |

**Operating profit** (£m) [1]

**+ 14.0%**
£75.6m

| | |
|---|---|
| 1999 | 75.6 |
| 1998 | 66.3 |
| 1997 | 52.5 |
| 1996 | 39.7 |
| 1995 | 13.2 |

**Profit before tax** (£m)

**+ 16.3%**
£75.1m

| | |
|---|---|
| 1999 | 75.1 |
| 1998 | 64.6 |
| 1997 | 47.1 |
| 1996 | 34.2 |
| 1995 | 12.2 |

**Diluted earnings per share** (pence) [2]

**+ 19.6%**
28.1p

| | |
|---|---|
| 1999 | 28.1 |
| 1998 | 23.5 |
| 1997 | 17.5 |
| 1996 | 13.2 |
| 1995 | 4.6 |

## Chairman's statement

I am delighted to be able to report another record year for Computacenter – our seventeenth successive year of turnover and profits growth in the UK. In the financial year ended 31 December 1999, Group turnover grew by 11.0% to £1.76 billion and profit before tax grew by 16.3% to £75.1 million. Diluted earnings per share grew by 19.6% to 28.1p.

**Philip Hulme,** Chairman

1999 was an exceptionally difficult year to forecast. Most of Computacenter's customers spent heavily in preparation for the new millennium but a great deal of this work was completed in the early part of 1999 and in 1998. The consequence was that sales of product slowed, as expected, towards the end of 1999 as customers endeavoured to 'lock-down' their IT systems. In our interim report we said that the indications were that demand would slow but that the effect would be modest. I am pleased to report that this was the case, although the overall impact of Y2000 was that Computacenter's growth in turnover in 1999 as a whole was less than we have enjoyed in recent years.

The slower growth in product sales was offset by continued strong growth in our service businesses. By the end of 1999, over half of our staff were employed directly in the provision of professional and managed support services to our clients. The rapid growth of services is the principal reason for the improvement in net profit margins at both the UK and Group level.

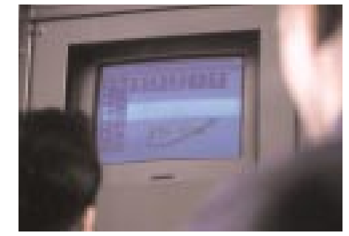
The Group's success in developing our service business is the direct result of a strategy of sustained high investment in the development of our services capability over a number of years. This investment – in recruitment, training, systems and the development of best practices – continued in 1999 and was, as always, expensed through the profit and loss account. The Board was very satisfied with the rate at which we were able to grow our service businesses in 1999 and remains confident in our ability to grow service revenues strongly in the future.

Another major area of investment for the Group began to come on-stream in the second half of the year as over 800 staff moved into our new European headquarters building in Hatfield, Hertfordshire. Work on our new operations centre is continuing and we expect it to become operational in the second half of 2000. This state-of-the-art facility is intended to be the source of significant competitive advantage in future years.

Our French operation also moved into a new headquarters and operations centre in the first half of 1999. This move helped to fuel significant sales growth, particularly in the second half of the year. The full year turnover of Computacenter France, at £223.0 million, was up 34.5% compared to 1998 and operating profits, at £4.6 million, grew by 67.3%. Computacenter France is now established as one of the top three competitors in the French market, providing an excellent base for further growth.

Computacenter Germany also grew substantially, albeit from a much smaller base, and turnover nearly doubled to £72.3 million. However, operating losses were larger than expected at £2.9 million, reflecting our rapid growth rate in the face of a relatively weak, pre-millennial market.





We remain a people business. Our continued success depends on the quality, training, motivation and teamwork of our staff.

More than 550 customers across the Group use our On-Trac e-procurement system, now being developed by Biomni.

During the second half of the year more than 800 staff moved into our new European headquarters in Hatfield, UK.

The Group's success in developing its service business is the direct result of a strategy of sustained high investment in the development of its services capability over a number of years.

There were a number of other notable developments during the course of 1999. In November the Group announced an exclusive agreement with Gateway computers to market 'Service-Direct', a unique approach that combines the speed and cost advantages of Gateway's built-to-order manufacturing with Computacenter's service expertise.

Our On-Trac electronic procurement system continued to expand with 150 new customers coming on-line in 1999. Trading electronically with our customers in this way enables us to reduce costs and increase service levels to the benefit of both parties. 1999 saw the launch of a fully web-enabled version of On-Trac.

In November Computacenter plc formed Biomni, a joint venture with Computasoft e-Commerce Ltd. the developer of On-Trac, to target the wider business-to-business e-commerce opportunity. In February 2000, the Board announced its decision to explore the possibility of a public listing for Biomni.

The iGroup, Computacenter's e-business division, also grew rapidly in 1999 and launched several new and innovative products and services. The total investment made in this area and expensed through the profit and loss account during the year exceeded £3 million. We are very enthusiastic about the Group's ability to develop e-business products and services and the scale of the opportunity open to us in this burgeoning market.

As always, Computacenter remains a people business. Our commercial success depends on the quality of our service and that, in turn, depends on the quality, training, motivation and teamwork of our staff. Widespread share ownership remains our goal and in the last year we have continued to encourage employee share ownership via the popular ShareSave scheme. Today I am pleased to report that over 55% of Group employees are shareholders. Once again I would like to thank all of our staff for their commitment, enthusiasm and hard work. They are the driving force behind Computacenter's success.

The new developments described above, combined with the solid progress made in the last twelve months, particularly the development of our service businesses, provide a sound base from which to go forward. Factors such as the introduction of Windows 2000 and the widespread adoption of e-commerce solutions will continue to drive the market forward and we are confident that Computacenter is well positioned to take advantage of the expected growth in demand.

Finally, consistent with the dividend policy set out in our flotation prospectus, I am pleased to recommend a final dividend of 2.9p per share, payable on 29 May 2000 to registered shareholders as at 8 May 2000.

# Chief Executive's review

Computacenter's goal is to establish itself as the preferred partner of large corporate and government organisations seeking to implement and support distributed IT systems. We aim to achieve this by providing customers with a range of superior quality, customised services that enable them to realise the commercial benefits of distributed technology.

**Mike Norris,** Chief Executive

Our people are increasingly seen as solution providers as well as service providers.

| | 2000 | 2001 | 2002 |
|---|---|---|---|
| United Kingdom | +10% | +10% | +15% |
| France | +14% | +11% | +14% |
| Germany | +11% | +16% | +13% |
| **Total Europe** | **+13%** | **+14%** | **+14%** |

**Forecast unit growth of Professional PC market in Europe**
2000-2002

Source: GartnerGroup/Dataquest, January 2000

Content:



Computacenter provides a wide range of services covering the entire lifecycle of distributed IT, from the planning and requisition of appropriate technology, to its successful implementation within an organisation's infrastructure and its subsequent support and management.

During 1999 Computacenter continued to invest across all of its businesses, consolidating its position as the leading supplier of distributed IT and related services to the European corporate and public sector marketplace.

In 1999 this investment strategy resulted in a Group turnover of £1.76 billion, a growth of 11.0%. Profit before tax increased by 16.3% from £64.6 million to £75.1 million and our after-tax earnings by 22.1% from £43.4 million to £53.0 million.

International sales grew significantly in 1999, with £300.1 million (17.0%) of the total Group turnover coming from sales in France, Germany and Belgium. The greater part of revenues, the remaining £1.46 billion, or 83.0%, was again generated by our UK businesses.

As in previous years, recruitment and training remained our biggest investment, with headcount across the Group growing by 22.6% to 5,618 at the end of 1999.

During the year, we also continued to increase our investment in the development of best practices and systems that allow us to deliver our growing range of services cost effectively and to the highest quality standards. These included PRIDE 3, the latest release of our established project management methodology and LINX, the help-desk system used by our call centre.

We believe that the increasing economies of scale we enjoy in these areas are a significant source of competitive advantage for the Group.

## Market performance

1999 was an exceptional year. A major focus of our customers for the first half of the year was investment to ensure Y2000 compliance of mainframe and associated business systems. As anticipated, growth in the market for distributed IT products slowed in the second half as compliance projects were completed and other projects postponed. Demand for our services, however, remained strong throughout the second half of the year, with the result that, overall, our managed services contract base grew 32% over 1999.

We anticipate increased customer focus on distributed IT investment during 2000 as organisations re-focus on the deployment of IT for competitive advantage. The huge anticipated growth of business-to-business e-commerce systems and the arrival of Microsoft's Windows 2000 operating system will both serve as significant growth drivers for the Group over the coming year, particularly in the second half.

1999 saw a continued decline in PC prices across the Group. We welcome the long-term decline in hardware prices, as it opens up new applications for distributed IT – enabling our customers to increase their investment in new technology, so fuelling demand for the Group's services.

Account teams in the UK, France, Germany and Belgium provide the vital link in identifying and managing customer needs.

Our service divisions engage with customers through Computacenter's 500 strong account management team.

We have established three dedicated service delivery divisions in the Group, employing specialist staff to develop and deliver IT solutions to our customers.

**UK operations**

The continuing growth in our services has necessitated some reorganisation to streamline our service provision. We have therefore established three dedicated service divisions in the Group who employ specialist staff to develop and deliver solutions to our customers. The three divisions: Supply Chain Services, Managed Services and Professional Services, engage with customers through Computacenter's account management team. Our account managers provide the vital link in identifying and managing customer requirements and engaging the appropriate service providers within the Group.

*Supply Chain Services*

Although the rate of growth in product sales slowed in 1999 compared to the previous year, we continued to invest in people, systems and infrastructure to support the anticipated release of pent-up demand in 2000. Development of our new offices and operations centre in Hatfield, Hertfordshire, continued apace, with our office complex, housing more than 1,000 staff, opening in October 1999. This move has brought together both staff and management previously located in the surrounding area, into a much improved working environment with corresponding benefits. Our new 34,000 sq. metre operations centre on the same site remains on target to open in the second half of 2000.

Our On-Trac electronic commerce system continued to be a major investment area for the Group. 1999 saw the successful implementation of our fully web-enabled customer system. Over 550 customers across the Group currently use the system, a growth of 37% in the last year.

In November we entered into a commercial agreement with Gateway Computers, a global supplier of PCs. Our goal was to develop an optimised customer delivery model that combines the benefits of Gateway's built-to-order PC assembly with Computacenter's value-added services. We believe this is a unique approach, offering customers increased value and flexibility. We anticipate that the superior build-to-order capability offered by our new Hatfield operations centre will allow us to develop this model further in due course.

*Managed Services*

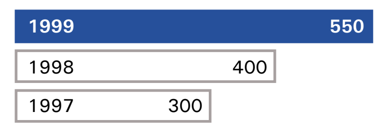
Much of Computacenter's growth in 1999 was due to expanding relationships with existing long-term corporate customers



Our Supply Chain Services Division provides the IT products, configuration and build-to-order services on which the Group depends.

Our Managed Services Division provides local and remotely managed support services, reducing cost and increasing the value of IT.

Our Professional Services Division provides the planning, technical consulting and project-management skills needed for large-scale IT projects.




**Customers using On-Trac across the Group**
1997-1999

Source: Computacenter plc

such as Scottish & Southern Energy plc. In particular, this was reflected in the demand for our managed services, where the growth in our contract base was greater than for the company as a whole. UK staff numbers in our Managed Services Division grew to 1,907, a 22.2% increase. We were also successful in attracting a number of new managed service contract customers during the year, including Avis Europe plc and Save the Children UK.

*Professional Services*

Demand for our technical consulting services has again been one of the fastest areas of growth within the Group. The appointment of Computacenter as a Microsoft Alliance Partner in October 1998 has helped to fuel this demand and enabled us to invest in training additional Microsoft accredited professionals in 1999 to fulfil customers' requirements. This brings the total number of Microsoft personal accreditations held in the UK to over 1,300.

During 1999 we have seen the first successes of The iGroup, our e-business division formed in 1998. We continued to invest in The iGroup in 1999, establishing a group of over 60 specialists with Internet and Intranet design, development and consulting skills. During the year we brought to market a number of innovative e-business products and services, which have been taken up by our customer base. We are very encouraged by the progress made and anticipate significant growth as the move to streamline business processes via e-business based solutions accelerates in 2000.

Computacenter was also appointed as a member of Microsoft's Rapid Deployment Programme for Windows 2000 early in 1999. We anticipate healthy demand for our Microsoft consulting services in 2000 and beyond with the deployment of Windows 2000 by corporate and government organisations across Europe.

During 1999, Y2000 compliance projects led to a corresponding rise in demand for our project management capability. As the client-server platform becomes the preferred technology base for many line-of-business applications, the solutions we sell and support continue to increase in scale, complexity and strategic importance to organisations. As a result, customers are increasingly turning to Computacenter to project-manage the deployment of distributed technology.

We continue to develop our international capability via our operations in France, Germany and Belgium and through ICG.

Our international businesses are closely linked, plugging into core operational systems and best practices proven in our UK business.

*Customer relationships*
Growth of the Group is dependent on our ability to retain existing customers and deliver real value via our services. During 1999 we were successful in extending our relationship with our largest customer, British Telecom, with a new three year contract and an option to renew for a further two years. The range of services now supplied to BT includes maintenance, supply chain re-engineering and implementation of distributed IT into BT's business units. Other contract extensions included Shell Service, Credit Suisse First Boston (CSFB) and Cisco Systems.

Computacenter also grew its customer base in 1999 with a number of notable new account wins during the year that included on-site managed services. New UK customers included Royal & SunAlliance, The Houses of Parliament and Vodafone Retail. 1999 was also a successful year for our UK Government Division, where we continued to invest in developing our Government Catalogue (GCat) contractual business with staff numbers more than doubling to 163. Notable new government customers included the Greater London Authority and National Probation Services.

We believe that Computacenter's scale and ability to deliver value consistently through its entire range of IT services, combined with our e-commerce capability, provide significant competitive advantages that will enable us to capture further market share in 2000.

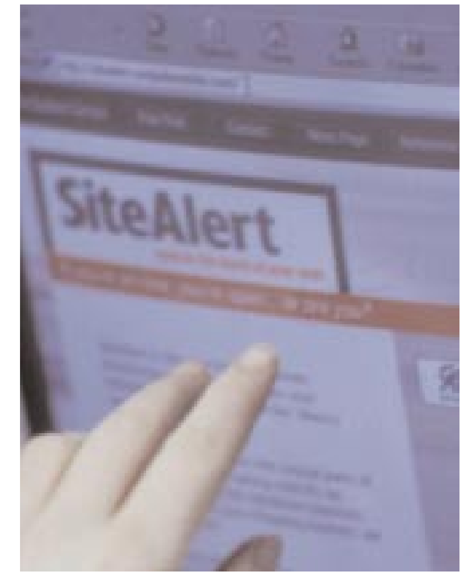
**International operations**
Computacenter continues to develop its international capability via its direct subsidiaries in France, Germany and, more recently, Belgium. As a whole, international operations increased as a percentage of Group revenue from 13% in 1998 to 17% in 1999. Our focus remains to capture market share rapidly and to deploy core Computacenter operational systems and business practices already proven in our UK business operations.

*Computacenter France*
Computacenter France grew ahead of the market during 1999 with turnover up 34.5% to £223.0 million and operating profits up 67.3% to £4.6 million. Headcount grew to 756, up 37.7% on 1998. A large part of our recruitment was in service divisions, where growth exceeded that for Computacenter France as a whole. Significant new customer account wins for the year included the DGA (General Armament Delegation) at the French Ministry of Defence.

Due to the rapid expansion of the French business and our plans for future growth,




Biomni is providing accelerated development for Computacenter's On-Trac electronic procurement system. *www.biomni.com*




SiteAlert, from The iGroup, provides a 24-hours-a-day web site remote monitoring service. *http://igroup.computacenter.com*

Computacenter continues to develop its international capability. Our focus remains to capture market share rapidly, utilising proven systems and best practices.

we moved into a new larger operations and headquarters facility in Paris during the first half of the year. Computacenter France's performance, during the second half of 1999 in particular, and the investments we have made to accommodate future growth, promise well for 2000 and beyond.

*Computacenter Germany*
In Germany, as in other markets, trading conditions were influenced by Y2000 issues and Computacenter's financial performance was impacted by the relatively small scale of our German operations. However, as in France, we continued to invest in Germany throughout the year with staff headcount growing by 62.3% to 362 at the end of 1999. In the first half of 1999 we moved to a new operations centre and opened new offices in Hannover, Stuttgart and Nürnberg. Significant customer account wins for the year included MEAG (Munich Re-insurance Group), and Preussag Group. Contract extensions included Dresdner Bank Group, DVAG and Hapag-Lloyd.

*ICG*
International Computer Group (ICG), of which Computacenter was a founding member in 1989, remains our core delivery mechanism for products and services outside the European markets serviced directly by Computacenter. This international joint venture now covers 53 countries throughout the world.

**Other businesses**
In November we announced the launch of Biomni Ltd, a 50% joint venture between Computacenter plc and Computasoft e-Commerce Ltd. Computasoft has been responsible for developing Computacenter's On-Trac electronic procurement system since 1991. Biomni has been established to capitalise on over nine years of experience in developing business-to-business e-commerce solutions.

**Acquisitions**
In the second quarter of 1999 we made our first acquisition as a public company, establishing a small subsidiary in Brussels, Belgium, which employed 27 staff at the end of 1999. We also strengthened our services capability by acquiring a UK based IT disposal services company, RDC, which continues to operate under its own name. In the fourth quarter we acquired the assets of Metrologie, a UK based subsidiary of CHS UK Holdings Ltd., whose enterprise distribution business specialises in UNIX systems, consulting and integration services. This has been successfully integrated into our UK distribution business, Computacenter Distribution (CCD), which provides hardware and a range of services to small and medium sized resellers.

By making it easier for our people to meet, work and eat together, our new centralised European headquarters in Hatfield helps them share ideas.

| | 2000 | 2001 | 2002 |
|---|---|---|---|
| Desktop Outsourcing | +24% | +26% | +22% |
| Desktop Services | +16% | +15% | +14% |

**Forecast growth in European desktop outsourcing and services markets**
2000-2002

Source: Pierre Audoin Conseil and Richard Holway Ltd, January 2000

While our focus for 2000 clearly remains on investing for growth in our existing businesses, we will continue to evaluate other market opportunities as they arise.

### Our staff

I would like to thank all of our staff for their outstanding efforts. Whether working alone or in teams they 'made the difference' to our customers once again in 1999. This year we awarded a record 425 'Champions of Quality' prizes to staff who demonstrated outstanding commitment to delivering customer service.

Our goal has always been to encourage widespread share ownership within the company. During 1999 we launched our third Inland Revenue approved ShareSave scheme, enabling qualifying staff to benefit from share ownership within Computacenter. At the end of 1999, 55% of staff owned shares in the Group.

### Outlook

We have made considerable progress during 1999 in developing our service portfolio and delivering value added services to both existing and new customers. We anticipate continued strong growth for our services in 2000, not only in the UK but also across Europe as our international businesses develop further. We also believe that the significant pent-up demand within our customer base due to Y2000 will start to be released during the first half of the year. We anticipate this will accelerate in the second half, as remaining compliance projects are completed and other projects, including Windows 2000 roll-outs, are implemented. We strongly believe the investments we made in 1999, and continue to make, will leave us well positioned to take advantage of this future demand.



## Our services and customers

Computacenter provides customers with a range of services covering all stages of the technology life cycle, from the planning and requisition of appropriate technology, through its implementation within an organisation's infrastructure, to its subsequent support and management.

**Planning**
Computacenter works with customers to plan and integrate their distributed IT systems. We offer technical expertise to help customers design, test and pilot PC infrastructures and can help them evaluate and integrate their chosen technologies with other new or existing systems. We can manage projects to ensure business goals are achieved to schedule, or conduct hardware and software audits to help maintain control and optimise performance. We also offer a range of flexible leasing and financing packages.

**Requisition**
Computacenter's size and vendor-independence lets us offer customers fast and efficient provision of best-of-breed technology at competitive prices. Acting as a single point of contact for all IT purchasing, we provide product supply and delivery, with Internet-enabled electronic procurement and tracking via our On-Trac customer system. We can also help customers drive down costs through helping them standardise on a common portfolio of hardware and software products.

**Implementation**
Computacenter configures, installs and integrates technology into customers' environments. We can pre-load software before delivery, help minimise the risk of new technology deployment and provide on-site system configuration and installation to users' desks. Our approach to project management ensures projects are delivered on time, to budget and to user specification.

**Support**
Computacenter complements its customers' internal IT support structures with a range of support services including hardware maintenance and software support. This is provided on-site, over the telephone, or without user involvement via our UK-based remote management facility. Other services include IT user and professional training and disaster recovery.

**Management**
While some organisations have decided to put the management of their entire IT operation in the hands of specialist IT companies, far more prefer to retain control by outsourcing discrete support functions to best-of-breed service providers.

We can help these organisations lower costs and improve end-user service by managing certain support tasks on their behalf. For example, we can provide help-desk services, or can undertake resource-hungry tasks such as procurement, network management, IT moves and changes and the administration of software licensing. Thus, customers retain overall control, while their staff are free to concentrate on core IT developments in support of the business.

**The following pages show how we are helping five of our customers derive maximum value from their IT investments.**

**Credit Suisse First Boston,** page 14
"Demonstrates a clear understanding of Credit Suisse First Boston's objectives, coupled with a solid commitment to high-quality service."

**National Police Training**, page 16
"An experienced and flexible service partner that has proved its worth to NPT many times as a first port of call for IT issues."

**British Telecom,** page 18
"Keeping our critical business functions running on the desktop, Computacenter supports BT as we drive through the transformation of our business."

**UNEDIC,** page 20
"Grasped the criticality of the project and, through effective planning and implementation, got the job done under considerable pressure."

**Group 4 Securitas,** page 22
"Computacenter's know-how is helping Group 4 Securitas turn the shared knowledge of our company into a key business asset."

**Vision**
IT is central to CSFB's operations, with traders relying on the latest technology to track global markets. As the cost of being off-line can run into millions, the Bank needs an IT partner that can provide a wide range of support services quickly, reliably and cost-effectively.

**Project**
To manage the entire process of IT systems procurement, from requisition to installation at the desk, for 9,000 users in London. We undertake IT user moves, provide ongoing hardware maintenance and assist the bank in the evaluation, selection and configuration of new technology.

**Know-how**
We apply our knowledge of IT best practice to continually review IT procurement, desktop support services and maintenance. This helps the bank streamline its processes, improve service and maintain its competitive edge.

"Computacenter demonstrates a clear understanding of Credit Suisse First Boston's objectives, coupled with a solid commitment to high-quality service."

**Ian Saggers, Director of Global Engineering, Credit Suisse First Boston.**

Ian Saggers pictured with Tom Hind of Computacenter on the main trading floor at CSFB's London Offices.


**Vision**
To provide National Police Training (NPT) staff with an easy-to-use, standard PC environment, including email, enabling NPT to lower procurement and support costs, and communicate more easily – internally and externally.

**Project**
Computacenter and NPT designed and tested a standard configuration for all software, tailored to the needs of users and giving NPT a secure technology platform on which to build its IT infrastructure. Computacenter then provided a managed deployment, together with user training, to more than 1,200 users across ten sites in England and Wales.

**Know-how**
NPT order equipment through GCat, the government IT and telecoms procurement catalogue managed by Computacenter. NPT's standard PC specification is continually reviewed by Computacenter, ensuring any relevant new software or hardware developments are incorporated and deployed rapidly without risk.

"Computacenter is not just a reliable supplier. It is an experienced and flexible service partner that has proved its worth to NPT many times as a first port of call for IT issues."

**Steve French, IT Projects Development Manager, National Police Training.**

Andy Lewis, Police Law Trainer and Helen Laverick of Computacenter, at NPT's Ashford Police Training Centre.


**Vision**
To help one of the world's leading communication companies stay at least one step ahead of the competition by turning innovative ideas into ground-breaking solutions. After four years as a Computacenter customer, British Telecom extended our remit, asking us to help revolutionise its delivery of internal desktop IT services.

**Project**
Computacenter is a strategic services partner to BT. Our team of 70 provides everything from process re-engineering to more staple services such as supply chain delivery, system compatibility testing, installation, maintenance and change management. Every day we support over 100,000 BT users across more than 1,000 locations in the UK and Eire.

**Know-how**
British Telecom strives to give its people ever-greater value from IT. We won BT's confidence by demonstrating our ability to innovate and deliver processes and systems to support that aim. The relationship is characterised by an open dialogue and a clear focus on delivering IT to meet the strategic needs of BT's business.

> "From planning, through to keeping our critical business functions running on the desktop, Computacenter supports BT as we drive through the transformation of our business."

**Craig Rowland, Director, Business Information Systems, British Telecom.**

Craig Rowland, BT's Business Information Systems Director, pictured in front of the BT sponsored Talk Zone of the Millennium Dome, London.

**Vision**
To ensure the continued payment of benefit to unemployed people in France, UNEDIC (Union Nationale Interprofessionnelle pour l'Emploi et le Commerce) needed to make its PCs Year 2000 compliant and establish a stable and cost-effective IT platform for the twenty-first century.

**Project**
To migrate 250 servers to a mixed Windows NT and NetWare infrastructure across 126 branches and eight head offices in Paris and southern France. 2,000 new PCs were also to be supplied and 2,500 existing PCs upgraded. Each branch was to be upgraded in just one day and the entire project completed within six months.

**Know-how**
Thanks to Computacenter's NetWare and NT integration expertise, tight, but adaptable project planning and willingness to work around the clock, Computacenter completed the project in just four months. Branch servers had software pre-loaded at our French logistics centre and installed overnight, with PCs installed the following day.

"Computacenter France grasped the criticality of the project and, through effective planning and implementation, got the job done under considerable pressure."

**Christian Decka, Chef de Projet, UNEDIC Ile de France.**

Christian Decka pictured with Marie-Hélène Haquette of Computacenter, at UNEDIC's Paris headquarters.

**Vision**

To give Group 4 Securitas businesses across 40 countries easier and faster access to shared know-how, best practice and expertise, aiding decision-making and enabling staff to deliver superior customer service.

**Project**

The first phase of GROUPNET, the Group 4 Securitas Intranet, has been successfully delivered to UK users. Content includes Group policies and procedures, an employee directory and discussion forums as well as up-to-date market and competitor information. With the help of The iGroup, Computacenter's e-business division, the customer now plans to roll-out GROUPNET to all its companies worldwide.

**Know-how**

Group 4 Securitas sought a partner with expertise in Microsoft technology and a good understanding of its information management and site useability requirements. As Computacenter is one of only a handful of Microsoft Alliance partners in the UK, Microsoft recommended that Group 4 Securitas work with The iGroup. We worked with the customer to design, test and deliver a complete solution based upon Microsoft SQL, Site-Server and Exchange technologies.

"Computacenter know-how is helping Group 4 Securitas turn the shared knowledge of our company into a key business asset."

**Alan McDermott, Group IT Director, Group 4 Securitas.**

Alan McDermott pictured with Roger Barlow of The iGroup, the e-business division of Computacenter, at Group 4 Securitas' Worcestershire offices.

# Finance Director’s review

**The results for the year once again represent record levels of both turnover and profit for the Group. Turnover has grown by 11.0% to £1.76 billion, with profits before tax increasing by 16.3% to £75.1 million. Operating profit increased by 14.0% to £75.6 million representing 4.3% of sales, an increase over last year’s 4.2%.**

**Tony Conophy,** Finance Director

Anthony Conophy

Operating profit as a percentage of sales in the UK increased from 4.7% in 1998 to 5.1% in 1999. The main reason was the significant increase in higher margin service revenues. Utilisation of services staff was particularly high throughout 1999 with the exception of the last six weeks which, as anticipated, were materially impacted by the Y2000 lock-down. The overall effect of this was to reduce operating margins in the second half of the year compared to the first half.

In France the operating margin increased from 1.6% of sales in 1998 to 2.1% of sales in 1999. This represented a significant increase on both 1998 and the first half of 1999, during which a move to our new operations centre resulted in additional costs. This exaggerated what is normally a stronger second half of the year in France.

In Germany the operating loss as a percentage of sales increased from 3.7% in 1998 to 4.0% in 1999, principally due to the impact of the Y2000 lock-down on our sub-scale but rapidly growing business.

Our overseas subsidiaries accounted for 17% of Group turnover in 1999 compared to 13% in 1998, whilst overseas operating profit remained unchanged at 2.1% of Group operating profit in 1999.

## Earnings per share and dividends

Earnings per share increased by 13.3% to 30.6p and by 19.6% to 28.1p on a diluted basis. In accordance with our stated dividend policy we are delighted to recommend a dividend of 2.9p per share, which is an increase of 16.0% over the 1998 dividend of 2.5p.

## Cash flow and working capital

Stock days continued to improve significantly. Our continued efforts to develop supply chain initiatives with major vendors have enabled us to successfully reduce the levels of stock holdings while continuing to maintain overall levels of customer service. The increasing proportion of services in Group turnover has also contributed to this reduction. The reduction in debtor and creditor days at the year-end was partly due to the effect of Y2000.

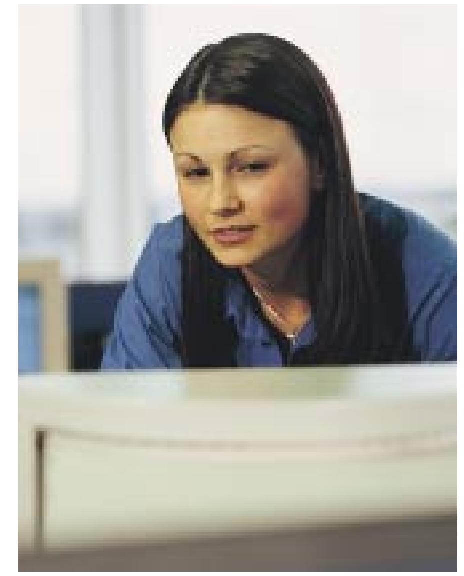
This management of our working capital requirements has resulted in a cash generated to operating profit ratio in excess of 108% compared to 96% in 1998. Cash generated from operations of £81.9 million was sufficient to ensure that the Group’s net cash position remained substantially unchanged from 1998 at £21.2 million, despite significant capital expenditure. This included £35.4 million for completion of our new Hatfield offices and operations centre. The implementation of corporation tax payment on account from July 1999 was an additional demand on cash resources.

## Taxation

The effective tax rate for the Group was 29.5% compared to 32.9% in 1998. The decrease in tax rate is partially attributable to the utilisation of tax losses in France less the unrelieved loss in Germany. The reduction in UK Corporate tax rates to 30% also had a beneficial effect.

However, the principal reason for the reduction is the tax relief obtained on gifts of £5.1million





Utilisation of services staff was particularly high throughout 1999.

| | December 1999 | December 1998 | Change |
|---|---|---|---|
| Stock days | 25 | 32 | (7) |
| Debtor days | 41 | 45 | (4) |
| Creditor days | 38 | 49 | (11) |

**Main elements of working capital**
1998-1999

by the Group to a Qualifying Employee Share Trust for the satisfaction of options granted under the Group’s ShareSave Scheme.

## Shareholder’s funds

The net assets of the Group were £168.5 million at the end of the year compared to £120.8 million at the beginning of the year. The increase is principally as a result of retained profits of £47.7 million.

## Acquisitions

During the year the Group made a number of small acquisitions for a total consideration of £4.4 million. This has led to goodwill on our balance sheet of £3.8 million. The goodwill acquired on each of the acquisitions is being amortised over a period of 20 years, our estimate of their useful economic life.

## 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 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 risk, liquidity risk and foreign currency risk. The policies in place for managing each of these risks is set out below.

### *Interest rate risk*

The Group finances its operations through a combination of cash generated from retained profits, bank borrowings and Bonds. The Group’s bank borrowings and deposits are at floating rates whereas the Bond, issued in 1995, is at a fixed rate of 10%. The current combination of financial liabilities satisfies the Group’s desired interest rate profile and as such no financial derivatives have been entered into. We will continue to monitor this position to ensure that the interest rate profile is appropriate to the Group.

### *Liquidity risk*

The Group’s policy is to ensure that there is sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. At 31 December 1999 the Group had £37.4 million of committed bank facilities with maturities of up to 1 year, of which 28.0% were drawn down, and £63.7 million of cash on deposit.

### *Foreign currency risks*

The Group operates in the UK, France, Germany and Belgium. The Group uses local borrowings to fund its operations in each of these countries. In each country the principal receipts and payments are denominated in local currency.

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

## Group Management and Directors

Computacenters' Board of Directors includes both of the Company's founders and is unchanged since the Company's London Stock Market listing in 1998. The senior management team is highly experienced with an average tenure within the Computacenter Group of over eleven years.

**Philip Hulme,**
Chairman

**Mike Norris,**
Chief Executive

**Tony Conophy,**
Finance Director

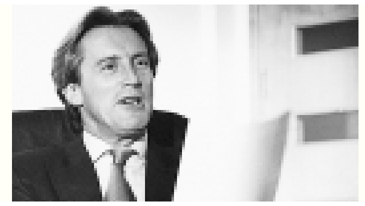
### Executive Directors

**Philip Hulme** , Chairman, Aged 51
Philip Hulme graduated from Imperial College London with a first class Engineering degree. In 1971 he won a Harkness Fellowship and entered the MBA programme at Harvard Business School. On graduating he joined the Boston Consulting Group, for whom he worked in the United States, South Africa and the UK, rising to Vice President and Director in 1979. He was appointed to head the London office in 1980. In 1981 he founded Computacenter with Peter Ogden, and has worked for the Company on a full-time basis since then.

**Mike Norris,** Chief Executive, Aged 38
Mike Norris graduated with a degree in Computer Science and Mathematics from East Anglia University in 1983. He joined Computacenter in 1984 as a salesman in the City office. In 1986 he was Computacenter's top national account manager. Following appointments as Regional Manager for London operations in 1988 and General Manager of the Systems Division in 1992 with full national sales and marketing responsibilities, he became Chief Executive in December 1994 with responsibility for all day-to-day activities and reporting channels across Computacenter.

**Tony Conophy,** Finance Director, Aged 42
Tony Conophy has been a member of the Institute of Chartered Management Accountants since 1982. He qualified with Semperit (Ireland) Ltd and then worked for five years at Cape Industries PLC group. He joined Computacenter in 1987 as Financial Controller, rising in 1991 to General Manager of Finance. In 1996 he was appointed Finance and Commercial Director of Computacenter (UK) Limited with responsibility for all financial, purchasing and vendor relations activities. In March 1998 he was appointed Group Finance Director.





**Peter Ogden,**
Non-Executive Director

**Roderick Richards,**
Non-Executive Director

**Adrian Beecroft,**
Non-Executive Director

### Non-Executive Directors

**Peter Ogden,** Aged 52
Peter Ogden founded Computacenter with Philip Hulme in 1981. He is Chairman of Computasoft, a director of Omnia Limited, and a Non-Executive Director of Abbey National plc.

**Roderick Richards,** Aged 44
Rod Richards has been a director of F&C Ventures since 1988, is a Non-Executive Director of PSD Group PLC and has served on the boards of a number of private companies.

**Adrian Beecroft,** Aged 52
Adrian Beecroft has been Chairman of the Operating Committee of Apax Partners & Co. Ventures Limited since 1990 and has served on the boards of a number of private and public companies.

### Senior Management

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

**Richard Archer,** General Manager, The iGroup, Aged 40
Joined Computacenter in 1991.

**Gordon Channon,** IT Director, Aged 52
Joined Computacenter in 2000.

**Mike Davies,** Managing Director, Professional Services, Aged 39
Joined Computacenter in 1992.

**Martin Hellawell,** General Manager, Corporate Development and Marketing, Aged 35
Joined ICG in 1990 and Computacenter in 1994.

**John Joslin,** Managing Director, Supply Chain Services, Aged 35
Joined Computacenter in 1987.

**Chris New,** Managing Director, Enterprise Sales, Aged 41
Joined Computacenter in 1987.

**Alan Pottinger,** Company Secretary, Aged 42
Joined Computacenter in 1986.

**Craig Routledge,** Managing Director, Managed Services, Aged 42
Joined Computacenter in 1990.

# Corporate governance statement

The Company is committed to high standards of Corporate Governance and has continuously reviewed compliance with best practice. In the opinion of the Directors the Company complies fully with the provisions of the Combined Code. In the following report the application of the principles of corporate governance is considered under the four areas contained in the Combined Code.

**1 Board of Directors**
The Board of Directors comprises three Executive Directors and three Non-Executive Directors, two of whom, Roderick Richards and Adrian Beecroft, are independent. The biographies appear on page 26 and 27. These demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of performance and strategy that have contributed to the success of the Group. The Board is responsible for overall Group strategy. A statement of the Directors' responsibilities in respect of the accounts is given on page 33. Certain decisions are specifically referred to the Board.

There are at least six scheduled Board meetings during the year and other meetings are held as necessary. All Directors have access to the advice and services of the Company Secretary, Alan Pottinger, who is responsible for ensuring Board procedures are followed and that the applicable rules and regulations are complied with. To enable the Board to discharge its duties, the Directors receive all relevant financial and general information.

Adrian Beecroft has been nominated as the senior Independent Non-Executive Director to whom shareholders' concerns can be conveyed.

At present, the Company's Articles provide for one third of the Directors in office at the date of the AGM notice to retire by rotation as set out on page 31. However, the Company is proposing an amendment to its Articles of Association at the Annual General Meeting to be held on 10 May 2000, in order to comply with the Combined Codes recommendation that all Directors be subject to re-election at least every three years.

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

*Nomination Committee*
The Nomination Committee comprises Philip Hulme as Chairman, Peter Ogden and Roderick Richards. The role of the Committee is to initiate the selection process for the appointment of Executive and Non-Executive Directors to the Board of the Company.

*Remuneration Committee*
The Remuneration Committee comprises Adrian Beecroft as Chairman and Roderick Richards. Peter Ogden acts as a non-voting special

terms of reference and procedures laid down by the Board, which are designed to enable the Company to comply with the requirements of the Combined Code on remuneration. The objective of the Committee is to determine the Company's general policy on executive remuneration and to determine specific packages for Executive Directors. The Committee will monitor and review the terms and conditions of the Executive Directors' service agreements, consider the details of the specific remuneration packages and consider the grant of share options under the Company's share option schemes.

*Audit Committee*
The Audit Committee comprises Roderick Richards as Chairman, Adrian Beecroft and Peter Ogden. The Committee reviews a wide range of matters including the Group annual and interim financial statements, the accompanying reports to shareholders, the preliminary announcement of results and any other announcements regarding financial information. The Committee advises the Board on the appointment and remuneration of the external auditors and discusses the nature, scope and results of the audit with the external auditors. The Committee reviews the cost effectiveness, independence and objectivity of the external auditors and reviews reports presented by the internal auditors regarding significant operational risks and controls.

**2 Directors' remuneration**
The principles and details of Directors' remuneration are contained in the Report of the Remuneration Committee on pages 30 and 31.

**3 Relations with shareholders**
Communications with shareholders are given a high priority. There is a regular dialogue with institutional shareholders including presentations after the Company's interim and preliminary result announcements.

The Chairman of the Board will aim to ensure that the Chairmen of the Audit, Remuneration and Nominations Committees are available at the AGM to answer the questions of private and institutional investors. Details of the resolutions to be proposed at the AGM on 10 May 2000 can be found in the Notice of Meeting enclosed with this report.

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

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

*Management structure*
The Board has overall responsibility for making significant strategic decisions. The Executive Directors together with a number of executives constitute the Management Committee, which meets on a regular basis to discuss day-to-day operational matters. A flat reporting structure is maintained with clearly defined responsibilities for operational and financial management.

*Control environment*
The Group has put in place a number of measures in order to create an environment in which internal controls can operate effectively. These include:

- authorisation and approval processes
- access controls, where processes have been automated to ensure the security of data
- management information systems, which have been developed both to identify risks and to enable assessment of the effectiveness of the system of internal control
- concept of empowerment, which reinforces accountability by linking staff incentives to customer satisfaction and profitability and encourages further scrutiny of costs and revenues.

*Budgetary process*
A comprehensive budgetary process is completed on an annual basis and is subject to approval by the Board. Performance is monitored through a rigorous and detailed reporting system, from which monthly results are compared to budgets. The results and explanations for variances are reported to the Board. Appropriate action is taken where variances arise.

*Risk management*
Specialist departments monitor developments and ensure compliance with legislative and regulatory requirements. Resources have been dedicated to managing the risk of disaster through insurance and continuous disaster recovery planning.

*Capital expenditure and investments*
Procedures exist and authority levels are documented to ensure that capital expenditure is properly appraised and authorised. Investment projects are reviewed and approved at divisional level. Major investment projects are subject to approval by the Board.

*Centralised treasury function*
All cash payments and receipts are managed by centralised accounting functions within each of the operating companies. Weekly reporting of cash balances to the Group Finance department ensures the overall cash position of the Group is monitored.

*Quality and integrity of staff*
Rigorous recruitment procedures ensure new staff are of the required quality. Management continuously monitor training requirements, and annual appraisal procedures are established to ensure that required standards of performance are maintained. Staff requirements are identified by managers and reviewed by the Management Committee.

**5 Board review of internal control**
The Combined Code introduced a requirement that Directors review the effectiveness of the Group's system of internal control. This requirement extends the Directors' review to cover all controls including operational, compliance and risk management as well as financial. Guidance for Directors on the Combined Code (the Turnbull guidance) was published in September 1999. However, the Directors have taken advantage of the London Stock Exchange's transitional rules and have continued to review and report upon internal financial controls.

The Board has modified existing risk management and internal control processes necessary to implement the Turnbull guidance, such that the Board can fully comply with it for the accounting period ending 31 December 2000. These processes are set out below.

The effectiveness of the system of internal control is reviewed by the Board on an ongoing basis, specifically through the work of the Internal Audit function which was established early in 1999. The Board, acting through the Audit Committee, have directed the work of the Internal Audit function towards those areas of the business which are considered to be higher risk and a rolling audit programme has been developed to ensure that all significant areas of the business will be independently reviewed within three years. This programme is continually reviewed to ensure that new information is incorporated into the programme. During the year the Internal Audit Department have carried out a number of reviews of specific areas of the business and the findings of the review have been reported to the Audit Committee. No significant internal control failings have been discovered during the year.

In addition to this rolling programme of internal audit work, the Board have conducted an annual review of the effectiveness of the system of internal control by reviewing specific risks with a number of representative managers across the Group and ensuring that each specific risk identified is being appropriately managed. Following this review the Board has concluded that the system of internal control is effective and appropriately manages the risks faced by the business. This review process has been facilitated by the Internal Audit Department and the Audit Committee, who have reported on matters of control to the Board.

**Philip Hulme,** Chairman

# Report of the Remuneration Committee

**Composition**

The Remuneration Committee is chaired by Adrian Beecroft and its other member is Roderick Richards. Peter Ogden is a non-voting special advisor to the Committee.

**Objective**

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

**Remuneration of Executive Directors**

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

*Basic salary and benefits*

The basic salary for each Executive Director was set at a meeting of the Remuneration Committee on 4 March 1999. Benefits principally comprise a company car. The amounts shown for the benefits in kind in the table of Directors' emoluments below are the amounts assessable to income tax for each Director.

*Annual performance bonuses*

Mr Norris and Mr Conophy have discretionary bonus schemes which are linked to the performance of the Group.

*Share options*

The Executive Directors are eligible to be granted options under the Computacenter Performance Related Share Option Scheme. These options are subject to certain performance conditions, designed to produce significant and sustained improvements in the Company's underlying financial performance.

*Pensions*

Mr Norris and Mr Conophy are entitled to a maximum annual pension contribution of £2,500 (1998: £2,500) each under the arrangements of the Computacenter Pension Scheme, a defined contribution scheme which is available to all UK employees.

*Fees*

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

**Directors' remuneration**

The remuneration of the Directors in the year ended 31 December 1999 was as follows:

| | Basic salary and fees £ | Benefits in kind £ | Performance related bonuses £ | Pension contributions £ | Total 1999 £ | Total 1998 £ |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| PW Hulme | 270,000 | 7,014 | - | - | 277,014 | 272,739 |
| MJ Norris | 349,800 | 21,892 | 175,000 | 2,500 | 549,192 | 350,201 |
| FA Conophy | 220,300 | 10,085 | 110,000 | 2,500 | 342,885 | 240,697 |
| **Non-Executive Directors** | | | | | | |
| PJ Ogden | 30,000 | - | - | - | 30,000 | 87,313 |
| PAB Beecroft (1) | 30,000 | - | - | - | 30,000 | 24,247 |
| RL Richards (2) | 30,000 | - | - | - | 30,000 | 24,247 |
| Total | 930,100 | 38,991 | 285,000 | 5,000 | 1,259,091 | 999,444 |

(1) Mr Beecroft's fees of £30,000 were paid to Apax Partners & Co Ventures Limited, his employer.
(2) Mr Richards' fees of £30,000 were paid to F&C Ventures, his employer.

Aggregate gains realised on the exercise of share options by Directors were £2,750,000 (1998: £1,574,340).

**Interests in options**

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

| | Exercise price | Exercise dates | | At 1 January 1999 | Granted during the year | Exercised during the year | At 31 December 1999 |
|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | |
| PW Hulme | 25.00p | 1/1/00 – 8/4/03 | (1) | 1,600,000 | - | - | 1,600,000 |
| MJ Norris | 25.00p | 1/1/00 – 16/4/00 | (2) | 500,000 | - | - | 500,000 |
| | 25.00p | 1/1/00 – 10/5/01 | (2) | 300,000 | - | - | 300,000 |
| | 25.00p | 1/1/00 – 8/4/03 | (1) | 400,000 | - | - | 400,000 |
| | 41.25p | 1/1/00 – 8/4/06 | (4) | 400,000 | - | - | 400,000 |
| | 160.00p | 31/7/00 – 30/7/07 | (4) | 250,000 | - | - | 250,000 |
| | 565.00p | 6/5/02 – 4/5/09 | (5) | - | 30,973 | - | 30,973 |
| | 610.00p | 20/5/01 – 20/5/03 | (5) | 49,180 | - | - | 49,180 |
| | 670.00p | 30/7/03 | (6) | 2,574 | - | - | 2,574 |
| | | | | 1,901,754 | 30,973 | - | 1,932,727 |
| FA Conophy | 25.00p | 1/1/99 – 23/4/02 | (2) | 100,000 | - | (3) 100,000 | - |
| | 25.00p | 1/1/99 – 8/4/03 | (1) | 400,000 | - | (3) 400,000 | - |
| | 41.25p | 1/1/00 – 8/4/06 | (4) | 200,000 | - | - | 200,000 |
| | 160.00p | 31/7/00 – 30/7/07 | (4) | 150,000 | - | - | 150,000 |
| | 565.00p | 6/5/02 – 4/5/09 | (5) | - | 19,468 | - | 19,468 |
| | 610.00p | 20/5/01 – 20/5/03 | (5) | 32,787 | - | - | 32,787 |
| | 670.00p | 30/7/03 | (6) | 2,574 | - | - | 2,574 |
| | | | | 885,361 | 19,468 | 500,000 | 404,829 |
| **Non-Executive Directors** | | | | | | | |
| PJ Ogden | 25.00p | 1/1/00 – 8/4/03 | (1) | 1,600,000 | - | - | 1,600,000 |
| PAB Beecroft | - | - | | - | - | - | - |
| RL Richards | - | - | | - | - | - | - |

(1) Issued under the terms of the Computacenter Services Group plc Unapproved Executive Share Option Scheme.
(2) Issued under the terms of the Computacenter Limited Executive Share Option Scheme.
(3) FA Conophy exercised 500,000 share options in September 1999 and sold the shares for £5.75 each. No other Director made any gains on the exercise of options during the year.
(4) Issued under the terms of the Computacenter Services Group plc Approved Executive Share Option Scheme.
(5) Issued under the terms of the Computacenter Performance Related Share Option Scheme. The options granted on 20 May 1998 are exercisable on the condition that the average annual compound growth in the Company's earnings per share is at least 20% per annum during the three year period commencing 1 January 1998. The options granted on 1 April 1999 are excercisable on the condition that the average annual compound growth in the Company's earnings per share is at least 5% above the RPI during the three year period commencing 1 January 1999.
(6) Issued under the terms of the Computacenter ShareSave Scheme, which is available to all employees and full time Executive Directors of the Group.

The market price of the shares at 31 December 1999 was £10.18, the highest and lowest trading prices during the year were £11.21 and £3.86 respectively.

**Service contracts and rotation**

The Directors that are retiring by rotation are PW Hulme and PAB Beecroft. Both of the Directors, being eligible, offer themselves for re-election. Neither of the Directors proposed for re-election at the forthcoming Annual General Meeting have service contracts with notice periods, at the date of this report, of one year or more.

**PAB Beecroft,** Chairman of the Remuneration Committee
13 March 2000

# Directors' report

The Directors present their report and the audited accounts of the Group for the year ended 31 December 1999.

**Principal activities**
The Group's principal activities are the design, project management, implementation and support of integrated information technology systems.

**Review of the business**
A detailed review of the Group's activities, the development of its business and an indication of future developments is included in the Chairman's statement, Chief Executive's review and Finance Director's review.

**Results and dividends**
The Group's activities resulted in a profit before tax of £75,136,000 (1998: £64,603,000). The Group profit for the year available to shareholders amounted to £52,963,000 (1998: £43,294,000). The Directors propose a dividend for the year of £5,291,000 (1998: £4,302,000).

**Directors**
The Directors who served during the year ended 31 December 1999 are listed on pages 26 and 27.

## Directors' interests

*Interest in Shares*
The interests of the Directors in the share capital of the Company are set out below. The interests of the Directors in options to acquire ordinary shares are included in the Report on Directors' Remuneration.

| | At 31 December 1999 | | At 1 January 1999 | |
|---|---|---|---|---|
| | Number of ordinary shares – beneficial | Number of ordinary shares – non beneficial | Number of ordinary shares – beneficial | Number of ordinary shares – non beneficial |
| **Executive Directors** | | | | |
| PW Hulme | 31,190,017 | 9,872,707 | 38,023,475 | 4,039,249 |
| MJ Norris | 877,314 | - | 1,196,944 | - |
| FA Conophy | 1,012,718 | - | 1,012,348 | - |
| **Non-Executive Directors** | | | | |
| PJ Ogden | 42,062,724 | 25,000 | 42,062,724 | - |
| PAB Beecroft | 149,783 | - | 149,783 | - |
| RL Richards | 7,500 | - | 7,500 | - |

Mr Richards participates in an incentive scheme operated by his employer, F&C Ventures Limited and accordingly has an interest in the performance of the ordinary shares held by Foreign & Colonial Enterprise Trust plc.

Since the year end, Mr Conophy has disposed of 600,000 shares. There have been no other movements in Director's shareholdings in the period since 31 December 1999 to the date of this report.

**Major interests in shares**
In addition to the interests of the Directors, which are disclosed above, at 10 March 2000, FMR Corp and its direct and indirect subsidiaries together with Fidelity International Limited and its direct and indirect subsidiaries held 5,536,807 ordinary shares of 5p each (3.05% of the ordinary share capital) and Foreign & Colonial Enterprise Trust plc held 6,626,489 ordinary shares of 5p each (3.66% of the ordinary share capital). No other person has notified an interest in the ordinary shares of the Company required to be disclosed to the Company in accordance with Sections 198-208 of the Companies Act 1985.

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



**Going concern**
After reviewing Group and Company cash balances and facilities, and based on past cash generation capacity, the Directors believe that the Group and Company have adequate resources to continue operations for the forseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

**Employee share schemes**
The Group operates executive share option schemes for the benefit of employees. As at 31 December 1999, options under the schemes to purchase shares of the Company have been granted to certain employees in respect of 11,610,804 (1998: 17,623,256) ordinary shares of 5p each. 6,818,317 ordinary share options were exercised during the year.

In 1998 the Group introduced its ShareSave scheme for the benefit of employees. As at 31 December 1999 options under the schemes to purchase shares of the Company have been granted in respect of 2,197,674 ordinary shares.

Options have been granted to Executive Directors in respect of 132,408 ordinary shares of 5p each under the terms of the Computacenter Performance Related Share Option Scheme. The exercise of these options is subject to certain performance criteria as set out in the Report of the Remuneration Committee.

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

**Equal opportunities**
The Group is committed to equal opportunities. No employee or potential employee receives less favourable treatment or consideration on grounds of race, colour, religion, nationality, ethnic origin, sex, disability or marital status. To this end the Group has an Equal Opportunities Policy. This demonstrates the Group's commitment to make full use of the talents and resources of all its employees and to provide an environment that encourages good and productive working relationships within the organisation.

**Environmental statement**
Computacenter is strongly committed to minimising the environmental impact of its business activities. This encompasses effects upon employees, neighbours, customers and suppliers locally and globally. During 2000, the Company is implementing a fully documented environmental management system that monitors and controls significant environmental impacts of its business, prevents pollution and ensures full compliance with all relevant environmental legislation, regulations and requirements. Our goal is to achieve IS0 14001 accreditation by the end of 2000.

**Year 2000 compliance**
The Y2000 problem concerns the inability of information systems, primarily computer software programs, to properly recognise and process date-sensitive information. The Group reviewed its internal IT systems for Y2000 compliance and completed a programme of work to upgrade computer systems to be compliant. At the date of these accounts, we are pleased to report that our efforts have been successful and no significant issues have arisen.

In addition, the Group supplies products and services to its customers that may be affected by the Y2000 problem. We are pleased to note that, as far as we are aware, none of our customers experienced significant Y2000 issues. The Group is unable to give any direct assurance that products supplied are Y2000 compliant other than assurances given by manufacturers. Computacenter does not accept liability for faults in the processing of dates and date-dependent data: customers should rely entirely on assurances given by the manufacturers in this respect.

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

**Charitable donations**
The Group has made charitable donations during the year amounting to £187,899 (1998: £267,633).

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

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

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

**AJ Pottinger,** Secretary
13 March 2000

## Report of the auditors

**To the members of Computacenter plc**
We have audited the accounts on pages 35 to 54, which have been prepared under the historical cost convention and the accounting policies set out on page 39.

**Respective responsibilities of Directors and auditors**
The Directors are responsible for preparing the annual report. As described on page 33, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange and by our profession's ethical guidance.

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

We review whether the corporate governance statement on pages 28 and 29 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

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

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

**Opinion**
In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Ernst & Young**
Registered Auditor
Reading
13 March 2000



## Group profit and loss account

| For the year ended 31 December 1999 | Note | 1999 £'000 | 1998 £'000 |
|---|---|---|---|
| **Turnover** | 2 | 1,760,628 | 1,586,238 |
| **Operating costs** | 3 | (1,685,016) | (1,519,942) |
| **Operating profit** | 4 | 75,612 | 66,296 |
| Share of operating loss in associate | | - | (12) |
| Interest receivable and similar income | 6 | 7,238 | 4,945 |
| Interest payable and similar charges | 7 | (7,714) | (6,626) |
| **Profit on ordinary activities before taxation** | | 75,136 | 64,603 |
| Tax on profit on ordinary activities | 8 | (22,125) | (21,232) |
| **Profit on ordinary activities after taxation** | | 53,011 | 43,371 |
| Minority interests – equity | | (48) | (77) |
| **Profit attributable to members of the parent Company** | | 52,963 | 43,294 |
| Dividends – ordinary dividends on equity shares | 9 | (5,291) | (4,302) |
| **Retained profit for the year** | | 47,672 | 38,992 |
| Earnings per share: | | | |
| – Basic | 10 | 30.6p | 27.0p |
| – Diluted | | 28.1p | 23.5p |

## Group statement of total recognised gains and losses

| For the year ended 31 December 1999 | Note | 1999 £'000 | 1998 £'000 |
|---|---|---|---|
| Profit attributable to members of the parent Company for the financial year | | 52,963 | 43,294 |
| Exchange differences on retranslation of net assets of associated and subsidiary undertakings | | (2,029) | 287 |
| Total recognised gains for the year | 22 | 50,934 | 43,581 |

## Group balance sheet

| At 31 December 1999 | Note | 1999 £'000 | 1998 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 11 | 3,756 | - |
| Tangible assets | 12 | 96,647 | 59,768 |
| Investments | 13 | 2,815 | 1,467 |
| | | 103,218 | 61,235 |
| **Current assets** | | | |
| Stocks | 14 | 92,884 | 109,853 |
| Debtors: gross | | 244,364 | 237,855 |
| Less non returnable proceeds | | (187) | (1,293) |
| | 15 | 244,177 | 236,562 |
| Cash at bank and in hand | | 63,688 | 63,601 |
| | | 400,749 | 410,016 |
| **Creditors:** amounts falling due within one year | 16 | (292,753) | (307,382) |
| **Net current assets** | | 107,996 | 102,634 |
| **Total assets less current liabilities** | | 211,214 | 163,869 |
| **Creditors:** amounts falling due after more than one year | 17 | (41,008) | (42,013) |
| **Provision for liabilities and charges** | 20 | (1,736) | (1,035) |
| **Total assets less liabilities** | | 168,470 | 120,821 |
| **Capital and reserves** | | | |
| Called up share capital | 21 | 9,043 | 8,678 |
| Share premium account | 22 | 57,055 | 49,850 |
| Profit and loss account | 22 | 102,194 | 62,144 |
| Shareholders' funds – equity | | 168,292 | 120,672 |
| Minority interests – equity | | 178 | 149 |
| | | 168,470 | 120,821 |

Approved by the Board on 13 March 2000

**PW Hulme,** Chairman

**MJ Norris,** Chief Executive



## Company balance sheet

| At 31 December 1999 | Note | 1999 £'000 | 1998 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 12 | 52,958 | 34,623 |
| Investments | 13 | 133,515 | 126,967 |
| | | 186,473 | 161,590 |
| **Current assets** | | | |
| Debtors | 15 | 147 | 8,267 |
| Cash at bank and in hand | | 46 | 447 |
| | | 193 | 8,714 |
| **Creditors:** amounts falling due within one year | 16 | (11,874) | (6,367) |
| **Net current (liabilities)/assets** | | (11,681) | 2,347 |
| **Total assets less current liabilities** | | 174,792 | 163,937 |
| **Creditors:** amounts falling due after more than one year | 17 | (47,875) | (47,661) |
| **Provision for liabilities and charges** | 20 | (1,736) | (1,035) |
| **Total assets less liabilities** | | 125,181 | 115,241 |
| **Capital and reserves** | | | |
| Called up share capital | 21 | 9,043 | 8,678 |
| Share premium account | 22 | 57,055 | 49,850 |
| Merger reserve | 22 | 55,990 | 55,990 |
| Profit and loss account | 22 | 3,093 | 723 |
| Shareholders' funds – equity | | 125,181 | 115,241 |

Approved by the Board on 13 March 2000

**PW Hulme,** Chairman

**MJ Norris,** Chief Executive

## Group statement of cash flows

| For the year ended 31 December 1999 | Note | 1999 £'000 | 1998 £'000 |
|---|---|---|---|
| **Cash inflow from operating activities** | 23 | 81,924 | 63,734 |
| **Returns on investments and servicing of finance** | 24 | (262) | (2,084) |
| **Taxation** | | | |
| Corporation tax paid | | (25,284) | (17,486) |
| **Capital expenditure and financial investment** | 24 | (49,778) | (40,179) |
| **Acquisitions and disposals** | 24 | (3,806) | (71) |
| **Equity dividends paid** | | (4,482) | - |
| **Cash (outflow)/inflow before financing** | | (1,688) | 3,914 |
| **Financing** | | | |
| Issue of shares | 24 | 2,470 | 50,115 |
| Decrease in debt | 24 | (2,217) | (4,257) |
| **(Decrease)/increase in cash in the year** | | (1,435) | 49,772 |

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

| For the year ended 31 December 1999 | Note | 1999 £'000 | 1998 £'000 |
|---|---|---|---|
| **Net cash/(debt) at 1 January 1999** | | 21,126 | (32,689) |
| (Decrease)/Increase in cash in the year | | (1,435) | 49,772 |
| Cash outflow from repayment of debt and lease finance | | 2,217 | 4,257 |
| Change in net cash resulting from cash flows | | 782 | 54,029 |
| Non cash changes in debt | | (214) | (214) |
| Increase in debt on acquisition of subsidiary | | (542) | - |
| **Net cash at 31 December 1999** | 25 | 21,152 | 21,126 |



## Notes to the accounts

### 1 Accounting policies

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

**Basis of consolidation**
These Group accounts consolidate the accounts of Computacenter plc and all of its subsidiary undertakings for the period drawn up to 31 December each year. No profit and loss account is presented for Computacenter plc as permitted by Section 230 of the Companies Act 1985. The profit for the year for Computacenter plc was £12,761,000 (1998: £4,859,000).

Undertakings, other than subsidiary undertakings, in which the Group holds a participating interest and over which it exerts significant influence are treated as associated undertakings. The Group accounts include the appropriate share of these undertakings' results (from the date of acquisition) and net assets based on audited accounts of those undertakings for the year.

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

| | |
|---|---|
| Freehold buildings | 50 years |
| Leasehold acquisition costs | period to expiry of lease |
| Structural improvements | shorter of 7 years & period to expiry of lease |
| Fixtures and fittings | shorter of 7 years & period to expiry of lease |
| Office machinery, computer hardware and software | 2 – 4 years |
| Motor vehicles | 3 years |

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

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

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

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

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

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

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was written off directly to reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

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

**Foreign currencies**
*Company*
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.

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

**Financial instruments**
A discussion of the Group's management of its financial risks is included in the Finance Director's review on page 24. Financial instruments are accounted for as follows:

- Forward exchange contracts are used to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. These forward contracts are revalued to the rates of exchange at the balance sheet date and any unrealised gains and losses arising on revaluation are included in other debtors/other creditors. At maturity, gains or losses are taken to the profit and loss account.
- Currency swaps are used as balance sheet hedging instruments to hedge foreign currency assets and borrowings. Currency swaps are used to reduce costs where the Group would otherwise have cash deposits and borrowings in different currencies. The difference between the spot and forward rate for these contracts is recognised as part of the net interest receivable/payable over the period of the contract. These swaps are revalued to the rates of exchange ruling at the balance sheet date and any unrealised gains and losses arising on revaluation are included in other debtors/other creditors. Realised gains and losses on these currency swaps are taken to either reserves or to the profit and loss in the same way as for the foreign investment or borrowings to which they relate.

The Group has taken advantage of the exemption available under FRS 13 for short term debtors and creditors.

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

## 2 Turnover and segmental analysis

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

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

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| **Turnover by destination** | | |
| UK | 1,448,805 | 1,365,906 |
| France & Belgium | 226,640 | 165,764 |
| Germany | 77,164 | 39,020 |
| Rest of the World | 8,019 | 15,548 |
| | 1,760,628 | 1,586,238 |

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| **Turnover by origin** | | |
| UK | 1,460,523 | 1,383,357 |
| France & Belgium | 227,789 | 165,773 |
| Germany | 72,316 | 37,108 |
| | 1,760,628 | 1,586,238 |

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| **Operating profit** | | |
| UK | 74,028 | 64,929 |
| France & Belgium | 4,453 | 2,747 |
| Germany | (2,869) | (1,380) |
| | 75,612 | 66,296 |

All turnover and operating profit relates to continuing operations.

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| **Net assets employed** | | |
| UK | 134,923 | 94,276 |
| France & Belgium | 11,249 | 10,706 |
| Germany | 6,111 | (6,112) |
| Sub-total | 152,283 | 98,870 |
| *Net assets of associated undertaking* | | |
| – UK | 75 | 66 |
| – Rest of the World | 60 | 759 |
| Net assets employed | 152,418 | 99,695 |
| Net cash | 21,152 | 21,126 |
| Net assets | 173,570 | 120,821 |



## 3 Operating costs

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| Decrease/(Increase) in stocks of finished goods | 16,969 | (1,608) |
| Goods for resale and consumables | 1,322,101 | 1,254,418 |
| Staff costs (note 5) | 205,366 | 153,619 |
| Depreciation and other amounts written off tangible and intangible assets | 12,407 | 10,691 |
| Other operating charges | 128,173 | 102,822 |
| | 1,685,016 | 1,519,942 |

## 4 Operating profit

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| This is stated after charging: | | |
| Auditors' remuneration – audit services – UK | 128 | 102 |
| – audit services – overseas | 32 | 20 |
| – non-audit services – UK | 91 | 615 |
| Depreciation of owned assets | 12,155 | 10,492 |
| Depreciation of assets held under finance leases and hire purchase contracts | 190 | 199 |
| Operating lease rentals – plant & machinery | 7,579 | 7,022 |
| – land & building | 9,273 | 5,572 |

## 5 Staff costs

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| Wages and salaries | 176,692 | 135,960 |
| Social security costs | 22,394 | 15,667 |
| Other pension costs | 6,280 | 1,992 |
| | 205,366 | 153,619 |

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

| | Number of employees 1999 | 1998 |
|---|---|---|
| Managed Services | 2,137 | 1,611 |
| Professional Services | 581 | 480 |
| Supply Chain Services | 1,228 | 855 |
| Customer Services | 1,154 | 993 |
| | 5,100 | 3,939 |

Details of Directors' remuneration, pension entitlements and share options are disclosed in the Report of the Remuneration Committee on page 30.

## 6 Interest receivable and similar income

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| Bank interest | 7,154 | 4,328 |
| Exchange gain | - | 617 |
| Other interest receivable | 84 | - |
| | 7,238 | 4,945 |

## 7 Interest payable and similar charges

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| Bank loans and overdraft | 99 | 236 |
| Other loans | 7,613 | 6,368 |
| Finance charges payable under finance leases and hire purchase contracts | 2 | 22 |
| | 7,714 | 6,626 |

## 8 Tax on profit on ordinary activites

The charge based on the profit for the year comprises:

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| UK Corporation tax | | |
| Current | 21,424 | 20,197 |
| Deferred tax | 701 | 1,035 |
| | 22,125 | 21,232 |

## 9 Dividend

The Directors recommend the payment of a final dividend of 2.9p per share (1998: 2.5p per share), representing an aggregate charge of £5,291,000 (1998: £4,301,000). The Computacenter ESOP trust has waived the dividends payable in respect of 1,432,595 (1998: 1,475,170) ordinary shares that it owns, which are not allocated to employees. The Computacenter Trustees Limited have waived dividends in respect of 569,307 shares that it owns, which are not allocated to employees and the Computacenter Quest ("Qualifying Employee Scheme Trust") has similarly waived dividends in respect of 497,650 shares that it owns. Accordingly dividends payable have been reduced by £72,000 in total.

## 10 Earnings per share

The calculation of earnings per ordinary share is based on profit attributable to members of the holding Company of £52,963,000 (1998: £43,294,000) and on 172,865,000 (1998: 160,535,000) ordinary shares, being the weighted average number of ordinary shares in issue during the year after excluding the shares owned by the Computacenter Employee Share Trust, the Computacenter Trustees Limited and the Computacenter Quest.

The diluted earnings per share is based on the same earnings figure of £52,963,000 (1998: £43,294,000) and on 188,366,000 (1998: 184,242,000) ordinary shares, calculated as the basic weighted average number of ordinary shares, plus 15,501,000 (1998: 23,707,000) dilutive share options.

## 11 Goodwill

| | £'000 |
|---|---|
| **Cost** | |
| Additions | 3,818 |
| At 31 December 1999 | 3,818 |
| **Amortisation** | |
| Charge in the year | 62 |
| At 31 December 1999 | 62 |
| **Net book value** | |
| At 31 December 1999 | 3,756 |

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

## 12 Tangible fixed assets

| | Freehold land and buildings £'000 | Short leasehold property and improvements £'000 | Fixtures, fittings equipment and vehicles £'000 | Total £'000 |
|---|---|---|---|---|
| *Group* | | | | |
| **Cost** | | | | |
| At 1 January 1999 | 36,757 | 8,225 | 49,081 | 94,063 |
| On acquisition of subsidiary | 1,445 | - | - | 1,445 |
| Exchange adjustments | - | - | (580) | (580) |
| Additions | 18,457 | 51 | 31,555 | 50,063 |
| Disposals | (26) | - | (3,498) | (3,524) |
| At 31 December 1999 | 56,633 | 8,276 | 76,558 | 141,467 |
| **Depreciation** | | | | |
| At 1 January 1999 | 205 | 5,024 | 29,066 | 34,295 |
| On acquisition of subsidiary | 163 | - | - | 163 |
| Exchange adjustments | - | - | (293) | (293) |
| Charge for year | 72 | 715 | 11,558 | 12,345 |
| Disposals | (15) | - | (1,675) | (1,690) |
| At 31 December 1999 | 425 | 5,739 | 38,656 | 44,820 |
| **Net book amount** | | | | |
| At 31 December 1999 | 56,208 | 2,537 | 37,902 | 96,647 |
| At 31 December 1998 | 36,552 | 3,201 | 20,015 | 59,768 |

Details included above of assets held under finance leases and hire purchase contracts:

| | Fixtures, fittings, equipment and vehicles 1999 £'000 | 1998 £'000 |
|---|---|---|
| **Cost** | 1,224 | 1,234 |
| Accumulated depreciation | (1,216) | (1,026) |
| Net book amount | 8 | 208 |
| Depreciation charge for the year | 190 | 199 |

| | Freehold land and buildings £'000 | Fixtures, fittings equipment and vehicles £'000 | Total £'000 |
|---|---|---|---|
| *Company* | | | |
| **Cost** | | | |
| At 1 January 1999 | 34,623 | - | 34,623 |
| Additions | 14,275 | 21,076 | 35,351 |
| Transfer to subsidiary undertaking | - | (17,016) | (17,016) |
| At 31 December 1999 | 48,898 | 4,060 | 52,958 |
| **Net book amount** | | | |
| At 31 December 1999 | 48,899 | 4,060 | 52,958 |
| At 31 December 1998 | 34,623 | - | 34,623 |

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

The fixed assets of the Company comprise the Hatfield operations centre. During the year the office complex was substantially completed, and the amounts incurred on behalf of the tenant subsidiary undertaking, Computacenter (UK) Limited, were transferred to it. On 1 January 2000, the office complex was fully commissioned and depreciation has been charged from that date. The logistics facility is expected to become operational in the second half of 2000: depreciation will be charged from the date of operational commissioning.

## 13 Investments

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| *Group* | | |
| Associated undertakings (a) | 135 | 825 |
| Own shares (b) | 2,679 | 641 |
| Other listed investments | 1 | 1 |
| | 2,815 | 1,467 |

| | Share of net tangible assets 1999 £'000 |
|---|---|
| **(a) Associated undertakings** | |
| At 1 January 1999 | 825 |
| Proceeds of capital reduction | (690) |
| At 31 December 1999 | 135 |

The Group's share of post acquisition accumulated profits of associated undertakings at 31 December 1999 is £16,000 (1998: £16,000). The Group has received £1,096,000 (1998: £1,637,000) from the associated undertakings for the provision of administrative services and the reimbursement of costs incurred.

| | 1999 £'000 |
|---|---|
| **(b) Own shares – at cost** | |
| **Cost** | |
| At 1 January 1999 | 2,051 |
| Additions | 2,218 |
| Disposals | (710) |
| At 31 December 1999 | 3,559 |
| **Amounts provided** | |
| At 1 January 1999 | 1,410 |
| Charge | 180 |
| Disposals | (710) |
| **At 31 December 1999** | 880 |
| **Net book value** | |
| At 31 December 1999 | 2,679 |
| At 31 December 1998 | 641 |

Own shares comprise the following:

i) Computacenter Employee Share Ownership Plan
3,333,595 (1998: 5,096,170) 5p ordinary shares purchased by a third party on behalf of the Computacenter Employee Share Ownership Plan ("the Plan"). All shares held by the trust are funded by a bank loan guaranteed by Computacenter (UK) Limited (see note 18). The market value of the investment in own shares at 31 December 1999 was £33,919,000.

As in 1998, none of the 5p ordinary shares of the Company were awarded to the executives of Computacenter (UK) Limited under the Computacenter Limited Cash Bonus and Share Plan. Shares previously awarded are held on behalf of employees and former employees of Computacenter Limited and their dependants, excluding Jersey residents. The distribution of these shares is dependent upon the Trustee holding them on the employee's behalf for a restrictive period of three years.

All costs incurred by the Plan are settled directly by the Group and are charged in the accounts as incurred. The Plan has waived dividends payable in respect of 1,432,595 shares that it owns which are not allocated to employees. Any dividends received by the Plan in respect of shares allocated to the beneficiaries would be paid in full to them.



## 13 Investments continued

ii) Computacenter Qualifying Employee Share Trust ("the Quest")
497,560 5p ordinary shares subscribed by the Quest with a gift from a Group Company: the shares will be used to fulfil the Company's obligations under the Computacenter ShareSave Scheme. All of these shares are held by the Quest until such time as the options will be exercised. The market value at 31 December 1999 was £5,063,000. The Quest has waived dividends in respect of all these shares.

iii) Computacenter Trustees Limited
569,307 5p ordinary shares acquired by Computacenter Trustees Limited at a cost of £2,218,000 which will be held and used to satisfy the future requirements of the Group under the Computacenter Bonus Plus share plan. The Company has waived dividends in respect of all of these shares.

| | Shares in subsidiary undertakings £'000 | Loans to subsidiary undertakings £'000 | Shares in associated undertaking £'000 | Other listed investments £'000 | Total £'000 |
|---|---|---|---|---|---|
| *Company* | | | | | |
| **Cost** | | | | | |
| At 1 January 1999 | 118,157 | 13,624 | 75 | 1 | 131,857 |
| Additions | 1,782 | 2,906 | - | - | 4,688 |
| Conversion of loans to share capital. | 12,862 | (12,862) | - | - | - |
| At 31 December 1999 | 132,801 | 3,668 | 75 | 1 | 136,545 |
| **Amounts provided** | | | | | |
| At 1 January 1999 | (1,860) | (3,030) | - | - | (4,890) |
| During the year | 1,860 | - | - | - | 1,860 |
| At 31 December 1999 | - | (3,030) | - | - | (3,030) |
| **Net Book Value** | | | | | |
| At 31 December 1999 | 132,801 | 638 | 75 | 1 | 133,515 |
| At 31 December 1998 | 116,297 | 10,594 | 75 | 1 | 126,967 |

Details of the principal investments at 31 December 1999 in which the Group or the Company holds more than 20% of the nominal value of ordinary share capital are as follows:

| Subsidiary and associated undertakings | Country of registration | Nature of business | Proportion held |
|---|---|---|---|
| Computacenter (UK) Limited | England | IT systems and services | 100% |
| Computacenter SA | France | IT systems and services | 98.3% |
| Computacenter GmbH | Germany | IT systems and services | 100% |
| Computacenter NV/SA | Belgium | IT systems and services | 100% |
| RD Trading Limited | England | Disposal of IT systems | 100% |
| M Services Limited | England | IT systems and services | 100% |
| ICG International Computer Group BV | Netherlands | Non trading | 64.3%* |
| ICG Services Limited | England | International sales and marketing of IT systems | 37.5% |

*includes indirect holdings of 32.4% via Computacenter UK Limited and 31.9% via Computacenter SA.

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

i) In June 1999 the Company made a payment of £493,000 under the contingent earn-out provisions of the original acquisition of Computacenter GmbH. This has been written off directly to reserves as the original acquisition agreement was signed in 1997 and accordingly the goodwill arising in 1997 was written off directly to reserves. The Directors believe that the accounting treatment for this goodwill should follow the accounting policy in place at the time the payment was contracted.

ii) During the year the Group acquired three subsidiaries:

| | |
|---|---|
| 31 May 1999 | Computacenter NV/SA (which acquired a part of the business of ECS International Belgium) |
| 30 June 1999 | RD Trading Limited |
| 28 October 1999 | M Services Limited (which acquired a part of the business of Metrologie Limited) |

## 13 Investments continued

Consideration for these acquisitions of £4,368,000 was paid in cash and goodwill has been capitalised and included in the balance sheet as an intangible asset. The investments have been included in the Group balance sheet at their fair values at the date of acquisition.

| | Book value £'000 | Fair value adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| **Net assets on acquisition** | | | |
| Freehold property | 675 | 425 | 1,100 |
| Fixed assets | 882 | (700) | 182 |
| Debtors | 372 | - | 372 |
| Stock | 61 | - | 61 |
| Cash at bank | 364 | - | 364 |
| | 2,354 | (275) | 2,079 |
| Liabilities | | | |
| Other creditors | 987 | - | 987 |
| Long term debt | 542 | - | 542 |
| | 1,529 | - | 1,529 |
| Net assets | 825 | (275) | 550 |
| Goodwill | | | 3,818 |
| Cash consideration | | | 4,368 |

iii) On 3 November 1999, the Company issued an announcement to the effect that it, and Computasoft e-Commerce Limited, a wholly owned subsidiary of Computasoft Limited, were establishing a 50/50 joint venture called Biomni Limited ("Biomni"). Biomni is a company which addresses both UK and international business-to-business e-commerce opportunities. Biomni was created by combining sales, operational, technical and management teams, the majority of whom originated from the On-Trac e-business divisions of the Group and Computasoft Limited ("Computasoft"). Biomni's primary aim is to become a leading player in internet and intranet enabled commerce and workflow solutions.

Although the Biomni acquisition is a related party transaction as a result of Philip Hulme's and Peter Ogden's shareholdings in both the Company and Computasoft, the Company satisfied the tests set out in paragraph 11.8 of the London Stock Exchange's Listing Rules and so the usual requirements for a transaction with a related party did not apply and so there was no need for the Company to seek shareholder approval for this transaction.

On 7 February 2000, the Boards of the Company and Computasoft announced their decision to explore the possibility of a public listing for a minority stake in Biomni. In view of the possible listing of Biomni, new agreements on arms length and normal commercial terms are being put in place between each of the Company and Computasoft and Biomni.

During the year Biomni has not generated any profits or incurred any losses and therefore no share of profits or losses in joint ventures has been recognised.

## 14 Stocks

| | Group 1999 £'000 | Group 1998 £'000 | Company 1999 £'000 | Company 1998 £'000 |
|---|---|---|---|---|
| Goods held for resale | 92,884 | 109,853 | - | - |

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

## 15 Debtors: due within one year

| | Group 1999 £'000 | Group 1998 £'000 | Company 1999 £'000 | Company 1998 £'000 |
|---|---|---|---|---|
| Trade debts factored without recourse | | | | |
| – Gross debts | 742 | 1,463 | - | - |
| – Less non returnable proceeds | (187) | (1,293) | - | - |
| | 555 | 170 | - | - |
| Other trade debtors | 231,629 | 229,712 | - | - |
| Amount owed by subsidiary undertaking | - | - | 14 | 8,140 |
| Amounts owed by associated undertakings | 245 | 536 | - | - |
| Other debtors, prepayments and accrued income | 11,748 | 6,144 | 133 | 127 |
| | 244,177 | 236,562 | 147 | 8,267 |

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

## 16 Creditors: amounts falling due within one year

| | Group 1999 £'000 | Group 1998 £'000 | Company 1999 £'000 | Company 1998 £'000 |
|---|---|---|---|---|
| Bank overdrafts | 1,522 | - | - | - |
| Loans (see note 18) | 1,500 | 1,500 | 1,500 | 1,500 |
| Trade creditors | 163,360 | 197,552 | - | - |
| Obligations under finance leases and hire purchase contracts (see note 19) | - | 175 | - | - |
| Corporation tax | 14,465 | 18,325 | - | - |
| Other creditors including taxation and social security (a) | 37,135 | 28,432 | - | - |
| Amounts owed to subsidiary undertakings | - | - | 4,609 | - |
| Accruals | 45,851 | 30,298 | 565 | 565 |
| Deferred income on maintenance contracts | 23,720 | 26,798 | - | - |
| Dividend payable | 5,200 | 4,302 | 5,200 | 4,302 |
| | 292,753 | 307,382 | 11,874 | 6,367 |

(a) Included within other creditors is £28,089,000 (1998: £22,902,000) in respect of taxation and social security balances.

## 17 Creditors: amounts falling due after more than one year

| | Group 1999 £'000 | Group 1998 £'000 | Company 1999 £'000 | Company 1998 £'000 |
|---|---|---|---|---|
| Loans (see note 18) | 39,514 | 40,799 | 39,188 | 40,474 |
| Amounts owed to subsidiary undertakings | - | - | 8,687 | 7,187 |
| Other Creditors | 252 | - | - | - |
| Deferred income on maintenance contracts | 1,242 | 1,214 | - | - |
| | 41,008 | 42,013 | 47,875 | 47,661 |

## 18 Loans

| | Group 1999 £'000 | Group 1998 £'000 | Company 1999 £'000 | Company 1998 £'000 |
|---|---|---|---|---|
| Loans comprise amounts: | | | | |
| Wholly repayable within five years | 41,639 | 43,138 | 50,000 | 50,000 |
| Less: amounts owed to subsidiary undertakings | - | - | (8,687) | (7,187) |
| Less issue costs | (625) | (839) | (625) | (839) |
| | 41,014 | 42,299 | 40,688 | 41,974 |
| Less amounts due within one year | (1,500) | (1,500) | (1,500) | (1,500) |
| | 39,514 | 40,799 | 39,188 | 40,474 |
| Analysed as amounts due: | | | | |
| Within one year | 1,500 | 1,500 | 1,500 | 1,500 |
| Between two and five years | 40,139 | 41,638 | 48,500 | 48,500 |
| | 41,639 | 43,138 | 50,000 | 50,000 |
| Less issue costs | (625) | (839) | (625) | (839) |
| | 41,014 | 42,299 | 49,375 | 49,161 |

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

For the Group, the amount repayable is reduced by £8,687,000 (1998: £7,187,000) for the par value of bonds purchased by Computacenter (UK) Limited since the issue of the bond.

During 1997 the Company entered into put and call options which may be exercised in November 2000 for the purchase of £1,500,000 of the bonds. Accordingly these bonds are included in debt repayable within one year.

## 19 Obligations under leases and hire purchase contracts

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| *Group* | | |
| Amounts payable within one year | - | 180 |
| Amounts payable between two and five years | - | - |
| | - | 180 |
| Less: Finance charges allocated to future periods | - | (5) |
| | - | 175 |

## 20 Provisions for liabilities and charges

*Deferred taxation*
Deferred tax provided in the accounts is as follows:

| | 1999 Provided £'000 | 1998 Provided £'000 |
|---|---|---|
| *Group and Company* | | |
| Capital allowances in advance of depreciation | 1,736 | 1,035 |
| | 1,736 | 1,035 |

There are no potential deferred tax liabilities that have not been provided for at 31 December 1999 (1998: nil).

## 21 Share Capital

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| *Authorised* | | |
| **Equity** | | |
| Ordinary shares of 5p each | 25,000 | 25,000 |

| | 1999 No. 000 | 1999 £'000 | 1998 No. 000 | 1998 £'000 |
|---|---|---|---|---|
| *Allotted, called up and fully paid* | | | | |
| **Equity** | | | | |
| Ordinary shares of 5p each | 180,867 | 9,043 | 173,551 | 8,678 |

During the year the Company issued 497,560 5p ordinary shares with a nominal value of £24,878 and at an aggregate premium of £5,075,112 to the Computacenter Quest (see note 13). The total consideration for these shares of £5,099,990 which represented the market value on the day of issue of £10.25 per share, was financed by a gift from a Group Company.

**Options**
**Executive Share Option Scheme**
Options were exercised in respect of 6,818,317 (1998: 8,277,068) 5p ordinary shares during the year at a nominal value of £340,916 (1998: £413,853) and at an aggregate premium of £2,129,509 (1998: £1,818,706). Under the executive share option schemes options remaining outstanding at the year end comprise:

| | Exercise price | 1999 Number outstanding | 1998 Number outstanding |
|---|---|---|---|
| *Exercisable between* | | | |
| January 2000 – April 2000 | 25.00p | 500,000 | 660,000 |
| January 2000 – May 2001 | 25.00p | 300,000 | 355,000 |
| January 2000 – April 2002 | 25.00p | 120,000 | 488,328 |
| January 2000 – May 2003 | 28.75p | 55,000 | 821,000 |
| January 2000 – July 2004 | 32.50p | 151,000 | 685,000 |
| January 2000 – April 2003 | 25.00p | 3,650,000 | 4,839,928 |
| January 2000 – April 2006 | 41.25p | 2,672,273 | 6,330,000 |
| July 2000 – July 2007 | 160.00p | 2,301,000 | 2,399,500 |
| March 2001 – March 2008 | 300.00p | 881,200 | 1,044,500 |
| May 2002 – May 2009 | 565.00p | 980,331 | - |
| | | 11,610,804 | 17,623,256 |

During the year options in respect of 220,835 shares lapsed, 6,818,317 were exercised and 1,026,700 new options were granted.

**Computacenter ShareSave Scheme**
During 1998 the Company established the Computacenter ShareSave Scheme which is available to all employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. Under the scheme the following options have been granted and are outstanding at the year end:

| | Share price | Exercise date | Number |
|---|---|---|---|
| *Date of grant* | | | |
| August 1998 | £6.70 | August 2001 | 16,048 |
| August 1998 | £6.70 | August 2003 | 12,972 |
| September 1998 | £4.25 | September 2001 | 997,694 |
| September 1998 | £4.25 | September 2003 | 806,699 |
| September 1999 | £5.65 | September 2002 | 241,819 |
| September 1999 | £5.65 | September 2004 | 122,442 |
| | | | 2,197,674 |

## 21 Share Capital continued

**Computacenter Performance Related Share Option Scheme**

Under the Computacenter Performance Related Share Option scheme, options can be granted and those options will be subject to certain performance conditions, designed to produce significant and sustained improvements in the Company's underlying performance. During the year 50,441 options were granted and at 31 December 1999 these were outstanding as follows:

| | Exercise price | 1999 Number outstanding | 1998 Number outstanding |
|---|---|---|---|
| *Exercisable between* | | | |
| May 2001 – May 2003 | 610.00p | 81,967 | 81,967 |
| May 2002 – May 2009 | 565.00p | 50,441 | - |
| | | 132,408 | 81,967 |

## 22 Reconciliation of shareholders' funds and movements on reserves

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Profit and loss account £'000 | Total shareholders' funds £'000 |
|---|---|---|---|---|---|
| *Group* | | | | | |
| At 1 January 1998 | 7,876 | 537 | - | 22,865 | 31,278 |
| Shares issued | 802 | 53,390 | - | - | 54,192 |
| Cost of share issue | - | (4,077) | - | - | (4,077) |
| Total Recognised Gains in period | - | - | - | 43,581 | 43,581 |
| Equity Dividends proposed | - | - | - | (4,302) | (4,302) |
| At 31 December 1998 | 8,678 | 49,850 | - | 62,144 | 120,672 |
| Shares issued | 365 | 7,205 | - | - | 7,570 |
| Gift to Quest | - | - | - | (5,100) | (5,100) |
| Total recognised gains in the year | - | - | - | 50,934 | 50,934 |
| Goodwill written off | - | - | - | (493) | (493) |
| Equity dividends proposed | - | - | - | (5,291) | (5,291) |
| At 31 December 1999 | 9,043 | 57,055 | - | 102,194 | 168,292 |

| | Share capital £'000 | Share premium £'000 | Merger reserve £'000 | Profit and loss account £'000 | Total shareholders' funds £'000 |
|---|---|---|---|---|---|
| *Company* | | | | | |
| At 1 January 1998 | 7,876 | 537 | 55,990 | 166 | 64,569 |
| Shares issued | 802 | 53,390 | - | - | 54,192 |
| Cost of share issue | - | (4,077) | - | - | (4,077) |
| Total recognised gains in the period | - | - | - | 4,859 | 4,859 |
| Equity dividends proposed | - | - | - | (4,302) | (4,302) |
| At 31 December 1998 | 8,678 | 49,850 | 55,990 | 723 | 115,241 |
| Shares Issued | 365 | 7,205 | - | - | 7,570 |
| Gift to Quest | - | - | - | (5,100) | (5,100) |
| Total recognised gains in the year | - | - | - | 12,761 | 12,761 |
| Equity dividends proposed | - | - | - | (5,291) | (5,291) |
| At 31 December 1999 | 9,043 | 57,055 | 55,990 | 3,093 | 125,181 |

The cumulative amount of goodwill resulting from acquisitions which has been written off directly to reserves is £82,113,000 (1998: £81,620,000). All shareholders' funds are attributable to equity interests in the Company.

## 23 Reconciliation of operating profit to operating cash flows

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| Operating profit | 75,612 | 66,296 |
| Depreciation | 12,345 | 10,691 |
| Amortisation | 62 | - |
| (Profit)/Loss on disposal of fixed assets | (490) | 407 |
| Increase in debtors | (7,243) | (70,842) |
| Decrease/(Increase) in stocks | 17,030 | (1,608) |
| Increase in creditors | (13,632) | 57,976 |
| Currency and other adjustments | (1,760) | 814 |
| Net cash inflow from operating activities | 81,924 | 63,734 |

## 24 Analysis of gross cash flows

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| **Returns on investments and servicing of finance** | | |
| Interest received | 7,238 | 4,328 |
| Interest paid | (7,498) | (6,390) |
| Interest element of finance lease rental payments | (2) | (22) |
| Net cash outflow for returns on investments and servicing of finance | (262) | (2,084) |
| **Capital expenditure and financial investment** | | |
| Payments to acquire tangible fixed assets | (50,063) | (40,616) |
| Payments to acquire own shares | (2,039) | - |
| Receipts from sales of tangible fixed assets | 2,324 | 437 |
| Net cash outflow for capital expenditure and financial investment | (49,778) | (40,179) |
| **Acquisitions and disposals** | | |
| Payment to acquire interest in subsidiary undertakings | (4,861) | - |
| Net cash acquired with subsidiary undertakings | 364 | - |
| Proceeds from capital reduction of associated undertaking | 691 | - |
| Payment to acquire interest in associated undertaking | - | (71) |
| Net cash outflow for acquisitions and disposals | (3,806) | (71) |
| **Financing** | | |
| Issue of ordinary share capital | 2,470 | 50,115 |
| Repayment of term bank loans | (542) | (2,533) |
| Net repayment of capital element of finance leases | (175) | (224) |
| Bonds repurchased | (1,500) | (1,500) |
| Net cash inflow from financing | 253 | 45,858 |

## 25 Analysis of changes in debt

| | At 1 January 1999 £'000 | On acquisition of subsidiary £000 | Cash flows in Year £'000 | Other non-cash changes £'000 | At 31 December 1999 £'000 |
|---|---|---|---|---|---|
| Cash at bank and in hand | 63,601 | - | 87 | - | 63,688 |
| Bank overdrafts | - | - | (1,522) | - | (1,522) |
| Debt due within one year | (1,500) | - | 1,500 | (1,500) | (1,500) |
| Debt due after one year | (40,800) | (542) | 542 | 1,286 | (39,514) |
| Finance leases | (175) | - | 175 | - | - |
| Total | 21,126 | (542) | 782 | (214) | 21,152 |

## 26 Other financial commitments

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

| | 1999 Land buildings £'000 | 1999 Other £'000 | 1998 Land buildings £'000 | 1998 Other £'000 |
|---|---|---|---|---|
| **Group** | | | | |
| *Operating leases which expire:* | | | | |
| Within one year | 1,934 | 1,099 | 822 | 1,291 |
| Between two and five years | 3,264 | 4,833 | 3,141 | 2,662 |
| Over five years | 3,958 | - | 4,137 | 20 |
| | 9,156 | 5,932 | 8,100 | 3,973 |

## 27 Capital commitments

At 31 December 1999 future Group capital expenditure contracted for, but not provided for, amounted to £7,915,000 (1998: £28,752,000). This commitment relates to the new logistics facility being developed in Hatfield.

## 28 Contingent liabilities

The Group has given a VAT deferred import duty guarantee of £50,000 (1998: £50,000).

Computacenter (UK) Limited has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding £953,000 (1998: £1,076,000).

Computacenter plc has provided cross guarantees in respect of certain bank loans and overdrafts of its subsidiary undertakings. The amount outstanding at 31 December 1999 is £9,118,000.



## 29 Related party transactions

*Group*
Computasoft e-Commerce Limited, a related party, provides the Computacenter On-Trac system used by approximately 550 major customers. An annual fee has been agreed on a commercial basis for the use of the software for each installation. Total fees paid in the year amounted to £1,233,757 (1998: £1,114,726). Both PJ Ogden and PW Hulme are Directors of and have a material interest in Computasoft Limited.

In addition, the Group supplied goods to the Computasoft group in the normal course of business totalling £593,000 (1998: £461,000).

At 31 December 1999 the Computasoft group owed the Group £193,000 (1998: £50,000 owed by the Computasoft group).

## 30 Financial instruments

The Group's approach to managing financial risk is described in the Finance Director's review on pages 24 and 25.

### a) Interest rate risk

| | At fixed interest rates £'000 | At floating interest rates £'000 | Interest free £'000 | Total £'000 | Weighted average interest rates % | Weighted average period for which rate is fixed |
|---|---|---|---|---|---|---|
| *Financial liabilities* | | | | | | |
| Sterling | 40,688 | 326 | - | 41,014 | 10% | 3 years |
| Euro | - | 1,522 | 1,494 | 3,016 | - | 6 months |
| | 40,688 | 1,848 | 1,494 | 44,030 | | |

The Sterling floating rate liabilities are based on the three month LIBOR rate. The Euro floating rate liabilities are based on the overnight Euribor rate.

The financial liabilities of the Group comprise:

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| Fixed rate bonds | 40,688 | 41,973 |
| Other borrowings | 1,848 | 326 |
| Finance leases | - | 175 |
| Other creditors due after one year | 1,494 | 1,214 |
| | 44,030 | 43,688 |

| | At floating interest rates £'000 | Interest free £'000 | Total £'000 |
|---|---|---|---|
| *Financial assets* | | | |
| Sterling | 62,021 | - | 62,021 |
| Euro | 1,057 | 610 | 1,667 |
| | 63,078 | 610 | 63,688 |

The financial assets of the Group comprise cash and deposits totalling £63,688,000 (1998: £63,601,000).

**30 Financial instruments** continued

**b) Currency exposure**

The Group does not have any significant currency exposures on monetary assets and liabilities.

**c) Maturity of financial liabilities**

| | 1999 £'000 | 1998 £'000 |
|---|---|---|
| In one year or less, or on demand | 3,022 | 1,675 |
| In more than one year but not more than two years | 3,320 | 3,040 |
| In more than two years but not more than five years | 37,688 | 38,973 |
| In more than five years | - | - |
| | 44,030 | 43,688 |

**d) Undrawn committed borrowing facilities**

The Group has various available borrowing facilities. The undrawn committed facilities available at 31 December 1999 in respect of which all conditions precedent had been met were £26,928,000. All of these facilities are subject to annual review.

**e) Fair value of financial instruments**

| | Book value £'000 | Fair value £'000 |
|---|---|---|
| Cash and deposits | 63,688 | 63,688 |
| Fixed rate bonds | (40,688) | (44,118) |
| Other borrowings | (1,848) | (1,848) |
| Other creditors due after one year | (1,494) | (1,494) |
| | 19,658 | 16,228 |

The fair value of the fixed rate bonds is calculated with reference to the market price of the bonds which at 31 December 1999 was £106.79 per £100 bond. At 31 December 1999, no forward contracts or swaps in respect of foreign currency were outstanding and no significant hedging gains or losses were made during the year.



## Five year financial review

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 1995 £'m | 1996 £'m | 1997 £'m | 1998 £'m | 1999 £'m |
| Turnover | 564.1 | 882.5 | 1,133.5 | 1,586.2 | 1,760.6 |
| Operating profit [1] | 13.2 | 39.7 | 52.5 | 66.3 | 75.6 |
| Profit on ordinary activities before taxation | 12.2 | 34.2 | 47.1 | 64.6 | 75.1 |
| Profit on ordinary activities after taxation | 7.1 | 22.4 | 31.1 | 43.4 | 53.0 |
| Diluted earnings per share [2] | 4.6p | 13.2p | 17.5p | 23.5p | 28.1p |
| Year end headcount | 1,744 | 2,359 | 3,245 | 4,582 | 5,618 |

1 Excluding results of overseas associated undertakings
2 Amended in accordance with FRS redefinition

## Summary balance sheet

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 1995 £'m | 1996 £'m | 1997 £'m | 1998 £'m | 1999 £'m |
| Intangible assets | - | - | - | - | 3.8 |
| Tangible assets | 11.6 | 18.0 | 30.6 | 59.8 | 96.6 |
| Investments | 2.2 | 3.3 | 3.0 | 1.4 | 2.8 |
| Stocks | 49.5 | 83.3 | 108.2 | 109.8 | 92.9 |
| Debtors | 94.9 | 146.2 | 165.8 | 236.6 | 244.2 |
| Cash | 17.2 | 17.9 | 13.8 | 63.6 | 63.7 |
| Creditors due within 1 year | (133.6) | (213.5) | (246.6) | (307.4) | (292.8) |
| Creditors due after 1 year | (54.8) | (47.0) | (43.5) | (42.0) | (41.0) |
| Provisions | - | (0.2) | - | (1.0) | (1.7) |
| Net assets | (13.0) | 8.0 | 31.3 | 120.8 | 168.5 |

## Corporate information

**Board of Directors:**
Philip Hulme (Chairman)
Mike Norris (Chief Executive)
Tony Conophy (Finance Director)
Peter Ogden (Non-Executive Director)
Roderick Richards (Non-Executive Director)
Adrian Beecroft (Non-Executive Director)

**Company Secretary:**
Alan J Pottinger FCIS

**Registered Office:**
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Telephone: +44 (0) 1707 631000

**Registrar and Transfer Office:**
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Worthing
West Sussex
BN99 6BA
Tel: +44 (0) 1903 502541

**Principal Bankers:**
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PO Box 544
54 Lombard Street
London
EC3V 9EX
Tel: +44 (0) 20 7699 5000

**Stockbrokers and Investment Bankers:**

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London
EC4A 2BB
Tel:+44 (0) 20 7774 1000

*HSBC Investment Bank plc*
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**Solicitors:**
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**Company Registration Number:**
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*The iGroup*
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*Biomni*
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## Financial calendar

**Annual General Meeting: 10 May 2000**
**Interim Results 2000: 17 August 2000**
**Preliminary Results 2000: March 2001**
**Annual General Meeting: May 2001**

**Investor Relations Information:**
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Designed and produced by
Carnegie Orr +44 (0)20 7610 6140.

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