Computacenter plc

(incorporated in England and Wales with registered number 3110569)

Global Offering of 44,304,014 Ordinary Shares

at a price of 670p per share and admission to listing on

the London Stock Exchange 6.B.15(b)

Global Co-ordinator and Bookrunner

Goldman Sachs International

BT Alex. Brown International

Credit Suisse First Boston

HSBC Investment Banking

Merrill Lynch International

21 May 1998

The Directors of Computacenter plc, whose names appear on page 6 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors of Computacenter plc (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the London Stock Exchange for up to 177,000,000 Ordinary Shares of Computacenter plc to be admitted to the Official List. It is expected that dealings on the conditional basis described in Part I of this document will commence on 21 May 1998 on the London Stock Exchange. It is expected that admission of the Ordinary Shares to the Official List of the London Stock Exchange will become effective, and that unconditional dealings will commence, on 29 May 1998. All dealings prior to the commencement of unconditional dealings will be at the sole risk of the parties concerned.

Copies of these listing particulars, which have been prepared in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

This document does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the Ordinary Shares offered by this document have not been, and will not be, registered under the US Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. Goldman Sachs International may arrange for the offer and sale of Ordinary Shares in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A.

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and admission to listing on the London Stock Exchange

See "Risk factors" for certain of the matters which should be taken into account in considering whether to acquire Ordinary Shares.

In connection with the Global Offering, Goldman Sachs International or its affiliates may over-allot or effect transactions which stabilise or maintain the market price of the Ordinary Shares or any options or rights with respect to, or interests in, the Ordinary Shares or other securities of the Company, in each case at levels which might not otherwise prevail in the open market. Such transactions may be effected on the London Stock Exchange, LIFFE, the over-the-counter market or otherwise. Such stabilising, if commenced, may be discontinued at any time.

In connection with the Global Offering, the Company and certain of the Selling Shareholders have granted to the Underwriters options (the "Over-Allotment Options"), exercisable upon notice by the Global Co-ordinator for 30 days after the announcement of the Offer Price, to subscribe or procure subscribers for up to 744,845 additional new Ordinary Shares at the Offer Price and to purchase or procure purchasers for up to an aggregate of 3,685,557 additional existing Ordinary Shares at the Offer Price to cover over-allotments and short sales otherwise arising, if any.

Goldman Sachs International, which is regulated by The Securities and Futures Authority Limited, is advising Computacenter plc and no one else in relation to the Global Offering and will not be responsible to anyone other than Computacenter plc for providing the protections afforded to customers of Goldman Sachs International or for providing advice in relation to the Global Offering.

Share capital following the Global Offering

Authorised			Issued and fully paid[1]	
Nominal value	Number		Nominal value	Number
£25,000,000	500,000,000	Ordinary Shares of 5p each	£8,558,914	171,178,275

(1) Assuming no exercise of the Over-Allotment Options. In addition, the Company has granted options to employees and ex-employees in respect of 19,466,355 Ordinary Shares

The Ordinary Shares now being offered (including any Ordinary Shares subscribed for or purchased pursuant to the Over-Allotment Options) will rank pari passu in all respects with the existing Ordinary Shares.

Indebtedness

As at the close of business on 17 April 1998, Computacenter plc and its subsidiaries (the "Group") had outstanding secured loan capital of £46.1 million and other indebtedness of £2.7 million, comprising secured obligations under finance leases and hire purchase contracts of £0.3 million and unsecured loans of £2.4 million. At the same date, the Group had contingent liabilities of £0.2 million and guarantees of £2.0 million. None of the above is guaranteed by third parties.

Save as disclosed above (and apart from any intra-group indebtedness), as at the close of business on 17 April 1998, the Group did not have any mortgages, charges, loan capital (whether outstanding or created but unissued), term loans or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or finance lease commitments, guarantees or other contingent liabilities.

At the close of business on 17 April 1998, the Group had cash and bank balances of £11.6 million and had money market deposits of £69.4 million.

Contents

Directors, secretary and registered office

Directors

Paul Adrian Barlow Beecroft*

Francis Anthony Conophy (Finance Director)

Philip William Hulme (Chairman)

Michael John Norris (Chief Executive)

Peter James Ogden*

Roderick Lamont Richards*

**Non-executive*

all of Computacenter House, 93-101 Blackfriars Road, London SE1 8HW

Secretary

Alan James Pottinger F.C.I.S.

Registered office and head office

Computacenter House, 93-101 Blackfriars Road, London SE1 8HW

Advisers

Sponsor and financial adviser to Computacenter plc

Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB

Stockbroker

Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB

Legal advisers to Computacenter plc as to English and US law

Linklaters & Paines, One Silk Street, London EC2Y 8HQ

Legal advisers to the Sponsor as to English and US law

Freshfields, 65 Fleet Street, London EC4Y 1HS

Auditors

Ernst & Young, Apex Plaza, Reading RG1 1YE

Reporting accountants

Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU

Registrar

Lloyds Bank Registrars, The Causeway, Worthing, West Sussex, BN99 6DA

Market information

Offer Price	670p
Number of Ordinary Shares being offered	44.3m
New Ordinary Shares[1]	7.0m
Existing Ordinary Shares[1]	37.3m
Number of Ordinary Shares subject to Over-Allotment Options	4.4m
New Ordinary Shares	0.7m
Existing Ordinary Shares	3.7m
Number of Ordinary Shares in issue following the Global Offering	
assuming the Over-Allotment Options are not exercised	171.2m
assuming the Over-Allotment Options are exercised in full	171.9m
Market capitalisation of the Company[1]	£1,146.9m
Number of Ordinary Shares, on a fully diluted basis, following the Global Offering	
assuming the Over-Allotment Options are not exercised	190.6m
assuming the Over-Allotment Options are exercised in full	191.4m
Net proceeds of the Global Offering receivable by the Company[1][2]	£42.6m

(1) Assuming the Over-Allotment Options are not exercised

(2) The net proceeds to the Company are stated after deduction of the estimated commissions and expenses of the Global Offering payable by the Company, expected to be £4.3 million

Expected timetable of principal events

Conditional dealings commence	8:30 a.m. (London time) 21 May 1998
Payment date	29 May 1998
Admission and unconditional dealings commence	8:30 a.m. (London time) 29 May 1998
Ordinary Shares credited to CREST accounts	on or after 29 May 1998

Key information

The following information is derived from, and should be read in conjunction with, the full text of this document. Certain of the terms used in this document are defined, and a glossary of technical terms is provided, in Part VII.

Background

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

Computacenter was established in 1981 by Philip Hulme and Peter Ogden, who remain the principal shareholders in the Company. Apax and Foreign & Colonial Ventures have been institutional shareholders in Computacenter since 1985.

Group turnover in the year ended 31 December 1997 was £1.13 billion, having doubled over the last two financial years. The total number of employees rose from an average of 1,598 during the 1995 financial year to an average of 3,351 for the three months ended 31 March 1998. Computacenter has increased profits before tax from its UK operations each year since 1983. In the year ended 31 December 1997, Computacenter achieved profits before tax of £47.1 million.

Strategy

Computacenter's overall strategic objective is to establish itself as the preferred partner of large corporate and public sector organisations seeking to implement and support distributed IT. Computacenter works with its customers to help them realise the potential of the technology whilst at the same time managing their costs of ownership. Computacenter has invested in the development of a wide range of services which are designed to meet the service requirements of its customers.

The Directors believe that expansion for Computacenter in its existing range of activities will result from market growth, increased penetration of existing accounts with additional services, new account wins and further development in Continental Europe.

Computacenter expects to continue to invest in people, processes, systems and infrastructure in order to take advantage of market opportunities. Computacenter has recently announced the development of a new, larger and more advanced central facility in Hatfield in the UK.

Business

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

Planning

Computacenter currently employs over 260 technical consultants in the provision of Planning services in the UK. Their role is to work with customers to plan and integrate their distributed IT systems. Services offered within the Planning element include architecture design, multi-platform integration, project planning, specialist consultancy and technology management.

Requisition

There are over 150 Computacenter employees directly involved in the provision of Requisition services in the UK. Services offered within the Requisition element include product supply, delivery and portfolio management. Computacenter offers a wide range of products and is vendor-independent.

Implementation

Over 370 Computacenter staff are engaged in the provision of Implementation services in the UK. Services offered within the Implementation element include configuration, installation, systems engineering and project management.

Support

Computacenter employs over 360 staff in the provision of Support services in the UK. Services offered within the Support element include hardware maintenance, telephone support and IT training.

Management

There are currently over 520 Computacenter employees providing on-site technology management services across the UK. Computacenter's managed services operations draw upon all of the other elements of PRISM.

Strengths

Focus

The Directors believe that the PC and distributed IT have, within a relatively short time frame, revolutionised the IT industry and are established as a favoured platform for many organisations. Computacenter specialises in the provision of distributed IT and related services.

Consistent strategy

Computacenter's strategy, whilst evolving in response to market developments, has been consistent over the years. The Directors believe that this focus, and the resulting experience, constitute a significant competitive strength.

Broad range of distributed IT services

Computacenter provides a wide range of systems and related services for users of distributed IT. The Directors believe that no other company in the UK offers a similar range of services on a similar scale.

Customer relationships

Computacenter's strategy is to be the preferred partner of large corporate and public sector organisations seeking to implement and support distributed IT. In the year ended 31 December 1997, Computacenter had relationships with more than 50 of the FTSE 100 companies.

Account management model

In the opinion of the Directors, Computacenter's account management model represents an important competitive advantage for Computacenter. This sales model has been refined over many years and is backed up by complex

IT systems. The account management teams are empowered to make a wide range of pricing and resource allocation decisions.

Platform for European growth

Computacenter has operations in France and Germany. These businesses share practices and systems with Computacenter's operations in the UK, but are at earlier stages of development. The Directors are of the opinion that the development of the Group's operations in France and Germany will be an important source of growth.

Management and employee ownership

Computacenter has an experienced management team. The chief executive and finance director have been at Computacenter for 13 years and 11 years, respectively, and are members of the senior management committee of 12 members, which has an average tenure at Computacenter of over nine years.

Computacenter's management recognises the need to earn the loyalty of staff by creating a work experience which is rewarding in career, personal and financial terms. Following the Global Offering, the Directors expect that approximately 95 per cent. of Computacenter's employees will own shares in the Company.

Long-term investment strategy

Computacenter has invested for long-term growth. For example, Computacenter has a team of more than 150 professionals in its internal IT department, of whom over 90 are employed in the development and implementation of systems to enhance the business and win competitive advantage.

Current trading and prospects

The Group's turnover and operating profit for the three months ended 31 March 1998 exceeded such figures for the comparable period in the previous year. The Directors continue to feel confident about the future prospects of the Group.

During 1999, the Group's new operational headquarters in Hatfield in the UK is expected to commence activity. This investment, including an emphasis on channel assembly, is expected by the Directors to improve efficiency and further enhance quality of service.

Risk factors

An investment in Ordinary Shares involves certain risks. Accordingly, prior to making an investment decision, prospective purchasers of Ordinary Shares should consider carefully all of the information set out in this document and, in particular, the risks set out in "Risk factors" below.

Financial summary

The summarised historical information for the three years ended 31 December 1997 set out below has been extracted from the Accountants' report in Part IV of this document. This information should be read in conjunction with the financial information on the Group included elsewhere in this document.

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Turnover	564.1	882.5	1,133.5
Operating costs	(550.9)	(842.8)	(1,081.0)
Profit/(loss) from interest in associated undertakings	–	0.2	(0.2)
Operating profit	13.2	39.9	52.3
Other income	1.2	1.4	1.4
Interest payable and similar charges	(2.2)	(7.1)	(6.6)
Profit on ordinary activities before taxation	12.2	34.2	47.1
Taxation	(5.1)	(11.8)	(16.0)
Profit on ordinary activities after taxation	7.1	22.4	31.1
Minority interests – equity	0.5	–	–
Profit attributable to members of the parent company	7.6	22.4	31.1
Dividends – ordinary dividends on equity shares	–	–	(5.0)
Retained profit for the year	7.6	22.4	26.1

The Global Offering

The Global Offering of 44,304,014 Ordinary Shares comprises an issue of 7,010,171 new Ordinary Shares by Computacenter and the sale of 37,293,843 existing Ordinary Shares by the Selling Shareholders.

The new Ordinary Shares being issued by Computacenter will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission. The Ordinary Shares to be sold by the Selling Shareholders will be sold together with the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

The Global Offering comprises a global offering of Ordinary Shares to certain institutional investors in the UK, the United States (to qualified institutional buyers in reliance on Rule 144A under the Securities Act) and the rest of the world.

In connection with the Global Offering, the Company and certain of the Selling Shareholders have granted to the Underwriters Over-Allotment Options, exercisable upon notice by the Global Co-ordinator for 30 days after the announcement of the Offer Price, to subscribe or procure subscribers for up to 744,845 additional new Ordinary Shares at the

Offer Price and to purchase or procure purchasers for up to an aggregate of 3,685,557 additional existing Ordinary Shares at the Offer Price.

The Global Offering has been fully underwritten by the Underwriters.

Use of proceeds

The Group's overall aim in making the Global Offering is to obtain a listing of its Ordinary Shares on the London Stock Exchange and thereby achieve liquidity for its major shareholders and employee shareholders and provide for the long term development of the Group.

Assuming the Over-Allotment Options are not exercised, the net proceeds of the Global Offering to Computacenter are estimated to be approximately £42.6 million after deduction of underwriting commissions and estimated expenses of £4.3 million. The Directors intend to use the proceeds to fund part of the development of a new assembly and configuration plant at Hatfield in the UK (see under "Reason for the Global Offering and use of proceeds" in Part III), for general corporate purposes and to enable the Group to enlarge its international operations or specialist areas in the UK if suitable acquisition opportunities arise.

Dividend policy

Whether dividends will be proposed by the Directors with respect to any year will be dependent upon Computacenter's operating results, financial condition, investment strategy and other factors. The Directors presently expect that most available cash from operations will be used to fund the expected continued growth of the Group.

If the number of Ordinary Shares which will be in issue immediately following completion of the Global Offering (assuming the Over-Allotment Options are not exercised) had been in issue throughout the year ended 31 December 1997, the Directors consider that they would have declared a dividend for the year ended 31 December 1997 of 1.8p per Ordinary Share (representing a notional gross dividend of 2.25p per Ordinary Share). This dividend would have represented a notional gross yield of approximately 0.3 per cent. based on the Offer Price. The Directors currently expect that the dividend payout ratios will be in the region of 10 per cent. of net profit attributable to members of Computacenter in any financial year.

It is currently expected that dividends in respect of any year will be paid following the announcement of the final results. The Directors do not intend to declare an interim dividend for the year ending 31 December 1998.

Risk factors

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective purchasers of Ordinary Shares should consider carefully all of the information set out in this document and, in particular, the risks described below, prior to making any investment decision.

Technological changes

The IT industry is subject to rapid and significant changes in technology. Any such changes could affect the size of the market, participants' shares of the market or the economics of the business. The Group will continue to source products from a variety of suppliers and expects to be able to add new suppliers in response to technological and market developments. However, there can be no assurance that the Group will adapt to any such changes successfully and failure to do so could have a material adverse effect on the Group.

Industry changes

The IT industry is subject to structural changes as participants change their methods of operation to seek competitive advantage. The Group's position in the industry is dependent on the existence of the "indirect channel" for distributed IT equipment. If direct sales by the manufacturers were to become more common, the Group's business could be diminished. The Group endeavours to anticipate structural changes and position itself to benefit from or mitigate their effect. However, there can be no assurance that the Group will continue to do so successfully and failure to do so could have a material adverse effect on the Group.

The IT industry has grown rapidly in the recent past. There can be no assurance that growth will be sustained. Any slowdown in the IT industry could have a material adverse effect on the Group.

Dependence on vendors

The Group's ability to provide products and services to its customers depends on obtaining adequate supplies of products from its suppliers on a timely basis and on satisfactory commercial terms. The Directors believe that the Group generally has good relationships with its suppliers and that suppliers are generally satisfied with the service that the Group provides in relation to the resale of their products. There can be no assurance, however, that the Group's relationship with its suppliers will not change and any change could have a material adverse effect on the Group.

Compaq is the largest vendor of PCs in the UK market and is the leading supplier to Computacenter. The Group adheres to a policy of vendor-independence which reduces its dependence on any particular supplier. However, there can be no assurance that a deterioration in Compaq's market position or in its relationship with the Group would not have a material adverse effect on the Group.

Risk of declines in inventory value

The Group's business, like that of other resellers, is subject to the risk that the value of its inventory will be adversely affected by price reductions or by technological changes. It is the policy of some of the Group's suppliers to protect resellers, such as the Company, who purchase directly from them from loss in value, provided the reseller complies with certain conditions. These industry practices are sometimes not embodied in written agreements and, in any case, do not protect the Group in all cases from declines in inventory value. No assurance can be given that such practices will continue. Significant declines in inventory value in excess of established inventory reserves could have a material adverse effect on the Group.

Dependence on certain customers

In the year ended 31 December 1997, the Group's largest customer accounted for approximately 10 per cent. of the Group's turnover. The contract with this customer is due to be tendered again in September 1999. In the year ended 31 December 1997, the Group's largest ten customers accounted for approximately a quarter of the Group's turnover. The Directors will seek to maintain the Group's relationships with all of its customers but there can be no assurance that the Group's customer base will remain as it is and any major changes to the Group's customer base could have a material adverse effect on the Group.

Dependence on central systems

The Group depends on centralised facilities and processes, including warehousing and configuration. To the extent that any of these facilities or processes fail for any reason such failure could have a material adverse effect on the Group.

Dependence on personnel

The Directors believe that the Group's success will continue to depend in part upon its ability to continue to attract, retain and motivate qualified technical, sales and managerial personnel. The competition for such personnel in the IT industry is intense, and there can be no assurance that the Group will be successful in attracting, retaining and motivating such personnel. Failure to attract and retain such personnel could have a material adverse effect on the Group.

Dependence on information systems

The Group depends on a variety of information systems for its operations. These systems require the services of numerous of the Group's employees with extensive knowledge of the Group's information systems and the business environment in which the Group operates. Any failure or significant downtime in the Group's information systems could prevent it from procuring or fulfilling customer orders and could have a material adverse effect on the Group.

Year 2000

The Year 2000 problem concerns the inability of information systems, primarily computer software programs, properly to recognise and process date sensitive information as the Year 2000 approaches. The Group uses software and related technologies throughout its business that could be affected by the Year 2000 problem. In addition, the Group resells and/or supplies products and services to its customers which may be affected by the Year 2000 problem. The Group has established a team to address the Year 2000 compliance of its IT systems and infrastructure. However, there can be no assurance that the Year 2000 problem will not have a material adverse effect on the Group, either because of its impact on the Group's internal systems or as a consequence of one or more of the Group's customers bringing an action against the Group for supplying products and/or services that are not Year 2000 compliant.

The Global Offering

General

The Global Offering of 44,304,014 Ordinary Shares comprises, an issue of 7,010,171 new Ordinary Shares by the Company and the sale of 37,293,843 existing Ordinary Shares by the Selling Shareholders.

The new Ordinary Shares being issued by the Company will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission. The Ordinary Shares to be sold by the Selling Shareholders will be sold together with the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

Goldman Sachs International is the Global Co-ordinator of the Global Offering.

The Global Offering comprises a global offering of Ordinary Shares to certain institutional investors in the UK, the United States (to qualified institutional buyers in reliance on Rule 144A under the Securities Act) and the rest of the world. The shares offered will be in the form of Ordinary Shares.

The Company, the Selling Shareholders, certain of the Directors, and the Underwriters have entered into an underwriting agreement relating to the Global Offering (the "Underwriting Agreement") pursuant to which the Company and the Selling Shareholders have agreed, inter alia, not to offer, issue, sell or contract to sell, issue options in respect of or otherwise dispose of, any Ordinary Shares (or any interest therein) or agree to do any of the foregoing, subject to certain exceptions, for a period of 12 months (in the case of the Company, certain Directors (and their related parties) and the senior management of Computacenter listed below in Part II) and six months (in the case of other Selling Shareholders), in each case commencing on the date of Admission, without the prior written consent of the Global Co-ordinator. Further details of these restrictions are set out in paragraph 9 of Part VI.

The Ordinary Shares have not been and will not be registered under the Securities Act or qualified for sale under the laws of any state of the United States or under the applicable securities laws of Canada, Australia or Japan. Subject to certain exceptions, such securities may not be offered or sold in the United States, Canada, Australia or Japan or to any national, resident or citizen of Canada, Australia, or Japan. This document does not constitute an offer to sell or the solicitation of an offer to buy any such securities in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution in any such jurisdiction.

The shareholdings in the Company prior to and immediately after the Global Offering are shown in percentage terms in the table below:

Shareholder (including related parties)	Shareholdings prior to the Global Offering(1)	Shareholdings after the Global Offering(1)(2)	Shareholdings after the Global Offering(1)(2)(3)
Philip Hulme	29.9%	24.9%	23.2%
Peter Ogden	29.6%	24.9%	23.2%
Apax	25.0%	10.9%	9.8%
Foreign & Colonial Ventures	8.3%	5.4%	4.9%
Employees, ex-employees and minorities	7.2%	8.0%	15.7%
Investors in the Global Offering	—	25.9%	23.2%
Total	100.0%	100.0%	100.0%

(1) Combined beneficial and non-beneficial holdings
(2) Assuming no exercise of the Over-Allotment Options
(3) On a fully diluted basis, which includes Ordinary Shares issuable on the exercise of options in respect of 19,466,355 Ordinary Shares

Pricing and allocation

All Ordinary Shares in the Global Offering will be issued or sold at the Offer Price. The allocation of Ordinary Shares in the Global Offering will be determined by the Global Co-ordinator, in consultation with the Company and the Selling Shareholders.

Over-allotment and stabilisation

In connection with the Global Offering, the Global Co-ordinator or its affiliates may over-allot or effect transactions which stabilise or maintain the market price of the Ordinary Shares or any options or rights with respect to, or interests in, the Ordinary Shares or other securities of the Company, in each case at levels which might not otherwise prevail in the open market. Such transactions may be effected on the London Stock Exchange, LIFFE, the over-the-counter market or otherwise. Such stabilising, if commenced, may be discontinued at any time.

In connection with the Global Offering, the Company and certain of the Selling Shareholders have granted to the Underwriters the Over-Allotment Options, exercisable upon notice by the Global Co-ordinator for 30 days after the announcement of the Offer Price, to subscribe or procure subscribers for up to 744,845 additional new Ordinary Shares at the Offer Price and to purchase or procure purchasers for up to an aggregate of 3,685,557 additional existing Ordinary Shares at the Offer Price.

Underwriting agreement

On 21 May 1998 the Company, the Selling Shareholders and certain of the Directors entered into the Underwriting Agreement. This agreement is described under "Underwriting arrangements" in paragraph 9 of Part VI.

The Global Offering is conditional upon certain conditions described under "Underwriting arrangements" in paragraph 9 of Part VI being satisfied, including Admission, which is expected to take place on 29 May 1998.

Dealing arrangements

Dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange on 21 May 1998. Unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 29 May 1998. All dealings between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued" basis. **If the Global Offering does not become unconditional in all respects, all such dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.**

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The articles of association of the Company will permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission will take place within the CREST system.

Investors applying for and receiving Ordinary Shares under the Global Offering will receive Ordinary Shares in uncertificated form through a system-member (as defined in the Uncertificated Securities Regulations 1995) in relation to

CREST. CREST is a voluntary system and holders of Ordinary Shares who wish to obtain share certificates following Admission will be entitled to do so.

Conditionality of the Global Offering

The Company and the Global Co-ordinator expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Global Offering. If such right is exercised, the Global Offering will lapse and any monies received in respect of the Global Offering will be returned to placees without interest.

Use of proceeds

Assuming the Over-Allotment Options are not exercised, the net proceeds of the Global Offering for Computacenter are estimated to be approximately £42.6 million after deduction of underwriting commissions and estimated expenses of £4.3 million. The Directors intend to use the proceeds to fund part of the development of a new assembly and configuration plant at Hatfield in the UK, for general corporate purposes and to enable the Group to enlarge its international operations or specialist areas in the UK if suitable acquisition opportunities arise.

Information on the Group

Introduction and history

Overview

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

Computacenter markets its services under the Group's "PRISM" model. These services address all the stages of the technology life-cycle, from the "Planning" and "Requisition" of appropriate technology to its "Implementation" within a company's existing infrastructure through to its subsequent "Support" and "Management". See under "Activities of the Group" for further details.

Brief history

Computacenter was established in 1981 by Philip Hulme and Peter Ogden, who remain principal shareholders in the Company. Apax and Foreign & Colonial Ventures have been institutional shareholders in Computacenter since 1985.

Group turnover in the year ended 31 December 1997 was £1,133 million having doubled over the last two financial years. The total number of employees rose from an average of 1,598 during the 1995 financial year to an average of 3,351 for the three months ended 31 March 1998. Computacenter has increased profits before tax from its UK operations each year since 1983 (Source: audited consolidated accounts for Computacenter (UK) Limited and Computacenter plc). In the year ended 31 December 1997, Computacenter achieved profits before tax of £47.1 million.

From its original base in the south of England, Computacenter has established an international network of sales and service operations with over 30 offices in the UK, France and Germany. Computacenter has progressively increased its penetration of the market and developed its range of product and service offerings to meet the expanding support requirements of its customers. Growth has been almost entirely organic.

In 1989, Computacenter founded the international joint venture, ICG (International Computer Group), in response to customer requirements for service on an international scale (see under "International operations" below). Since then, Computacenter has developed its operations in France, which employ approximately 300 people, and has recently acquired the majority of a company in Germany to establish Computacenter Germany.

Computacenter's management team has been built up by a combination of internal development and external recruitment. A team led by Mike Norris, chief executive, and Tony Conophy, finance director, is responsible for day-to-day management of the business.

Group's strategy

Computacenter's overall strategic objective is to establish itself as the preferred partner of large corporate and public sector organisations seeking to implement and support distributed IT. Computacenter works with its customers to help them realise the potential of the technology whilst at the same time managing their costs of ownership.

Over the years, Computacenter has invested in the development of a wide range of services which are designed to meet the service requirements of its customers. Computacenter aims to develop systems and best practices which can be replicated across its customer base. Computacenter has also invested in centralised systems and facilities. Both of these categories of investment create economies of scale which benefit both the customer and Computacenter.

The breadth of the relationships between Computacenter and its customers, together with Computacenter's commitment to quality of service, value and long-term customer satisfaction, all help to secure the ongoing relationships which are characteristic of the Group.

Where possible, Computacenter's French and German operations capitalise on the business models which have been developed over many years in the UK. Practices and systems are shared across the different country operations and are tailored to suit local market conditions.

Computacenter's strategy, whilst evolving in response to market developments, has been consistent over the years, and the Directors believe that this focus, and the resulting experience, constitute a significant competitive strength. The Directors do not see any immediate need for major change in Computacenter's strategic direction. The Directors believe that expansion for Computacenter in its existing range of activities will result from market growth, increased penetration of existing accounts with additional services, new account wins and further development in Continental Europe.

Computacenter expects to continue to invest in people, processes, systems and infrastructure in order to take advantage of the market opportunities. The Company has recently announced the development of a new, larger and more advanced central facility in Hatfield in the UK. See under "The Group's offices and premises" for further details.

Industry overview

In the early 1980s, software applications for the PC platform were limited, hardware was relatively immature, and industry standards for PC hardware and software had yet to be agreed. As a result, the PC was used primarily for stand-alone office applications such as word processing and spreadsheets.

By the mid 1980s, technology came to the market which allowed PC users to run their stand-alone applications and also connect to central host computers. The resulting ability to share information increased significantly the attractiveness of the PC to the corporate market-place.

The late 1980s saw the emergence of the networking market and distributed computing. Individual PCs became interconnected on local area and wide area networks, enabling users to share software, data and resources.

However, the Directors believe that the greatest impetus for growth came from the emergence of industry standards. Intel processors and Microsoft operating systems, MS-DOS and then Windows, became the de-facto standards and became known as the "Wintel" platform.

By the early 1990s, the distributed computing model, particularly the Wintel platform, had become firmly established and organisations began to move an increasing proportion of their business applications from central host computers to the distributed model. Applications were being run on desktop PCs and powerful local servers. This approach became known as client-server computing.

The Directors believe that the PC and distributed IT have, within a relatively short time frame, revolutionised the IT industry and that this technology has established itself as a favoured platform for many organisations. At the same time, organisations have increasingly recognised that IT can be an important source of competitive advantage. For example, the proliferation of the Internet and Intranets has meant that companies have an opportunity to improve their internal and external communications, develop new business channels and gain access to a wider audience. These technology trends, together with falling prices and increasing performance, have fuelled the overall growth of IT.

A consequence of these developments has been that the requirement for professional support services has intensified. An increasing burden has fallen on organisations' IT departments to deploy, support and manage the new technology. The difficulty of delivering high service levels has been accentuated by the wide geographic spread of many of today's IT infrastructures.

The capital costs of distributed IT represent only a relatively small proportion of the total costs of owning and supporting the equipment over its lifetime. Consequently, many organisations have turned to external service providers to support their distributed IT systems and to manage the rising costs of ownership. The level of support required can vary widely. While some organisations opt to out-source their entire IT function to a third party, many others selectively "out-task" specific IT functions to supplement in-house resources. According to the 1997 Holway Report, this trend has resulted in a reduction of expenditure on internal IT staff in the UK from £7.1 billion in 1994 to £6.3 billion in 1996 and a corresponding increase in the external services and software market from £9.8 billion to £12.7 billion in the same period.

With the introduction of distributed IT and the establishment of new industry standards, the structure of the product supply side of the industry has also changed. In the 1970s, customers typically sourced their technology directly from vendors who frequently delivered their entire computing requirements: hardware, operating systems, applications software, implementation and on-going support. To some extent the proprietary nature of the technology removed the need for the manufacturers to be competitive in all components of the service they were delivering. However, the emergence of industry standards opened up competition and encouraged companies to specialise in their chosen areas.

Many hardware manufacturers and software publishers now rely on third parties for access to their market, to integrate their products with those of other vendors in order to create a total solution for the customer, and subsequently to provide the end-user with ongoing support. Many of the major hardware manufacturers, including Compaq, IBM and Toshiba, market their products primarily through resellers. Certain others, such as Dell, market their products directly but typically rely on third parties to provide customer service and on-going support.

Computacenter's market-place

Computacenter's chosen market is the provision of distributed IT systems and related services to large corporate and government organisations. In the year ended 31 December 1997, approximately 91 per cent. of Computacenter's turnover was generated from selling directly to corporate and public sector customers. The remaining 9 per cent. was attributable to Computacenter's distribution business, CCD, which supplies hardware and a limited range of services to small and medium sized computer resellers. CCD is described under "Computacenter Distribution (CCD)" below.

By continued focus on its chosen market and continued refinement of its product and service offerings to match customers' needs, the Directors believe that Computacenter has achieved a significant penetration of its target market. In the year ended 31 December 1997, Computacenter had relationships with more than 50 of the FTSE 100 companies.

In the year ended 31 December 1997, Computacenter's largest customer accounted for approximately 10 per cent. of its turnover. During that year, Computacenter's largest ten customers accounted for approximately a quarter of its turnover. These largest ten accounts comprise four clearing banks, three investment banks, a leading telecommunications company, a leading IT services organisation and one of the UK's largest oil companies.

Computacenter enjoys long-term trading relationships with many of its customers. For example, nine of its largest ten customers (by turnover), in the year ended 31 December 1994, remained significant customers in the year ended 31 December 1997.

Computacenter has direct operations in the UK, France and Germany, which the Directors believe are the three largest IT markets in Europe. In France and Germany, Computacenter targets the same market as in the UK but, at the present time, penetration levels are much lower (see under "International operations" below).

Computacenter does not sell or provide services for central (mainframe) host computers. Also, Computacenter does not build hardware or write bespoke applications software.

Activities of the Group

Account management

The issues surrounding the planning, implementation and support of distributed IT systems are complex and Computacenter provides a broad range of products and services to address them. Computacenter appoints one or more account managers for each customer who has overall responsibility for all of the products and services provided to the customer. These individuals are supported by account teams including administrators and technical personnel.

The account management teams are empowered to make a wide range of resource allocation decisions in the interests of their customers. They are able to draw upon personnel from all of the various service-providing divisions of Computacenter, such as technical consultancy, project management, engineering and training. This approach helps to ensure that Computacenter remains flexible and responsive to the customer's needs. In many cases, customers will have additional contacts directly into some of Computacenter's service-providing divisions but the primary point of contact remains the account manager, who retains overall responsibility for service quality and the development of the account.

The account managers are also empowered to make pricing decisions with respect to the products and services provided to their customer. This flexibility can impact both the level and manner of invoicing. For example, services can be invoiced separately or bundled together with the product, depending upon the requirements of the customer. In order to make this possible, Computacenter has developed sophisticated measurement and internal charging mechanisms which enables it to allocate revenues and costs, and therefore profits, at the level of the individual account. This enables the account manager, and senior management of Computacenter, to manage the account with a view to developing the overall customer relationship whilst, at the same time, ensuring adequate levels of profitability over time. This is a sales model which has been refined over many years and is backed up by complex IT systems. In the opinion of the Directors, it represents an important competitive advantage for Computacenter.

For management purposes, the account teams are organised by region and by customer group. The regional groupings also include a limited number of specialist new business sales people. However, Computacenter's emphasis is on the development of the existing accounts. Over 700 people are directly engaged in these account management roles based in some 30 offices in the UK, France and Germany.

Computacenter's range of services: PRISM

The PRISM range of services is designed to address the challenges faced by IT professionals when investing in distributed IT. These services address all stages of the technology life-cycle; from the "Planning" and "Requisition" of appropriate technology to its "Implementation" within a company's existing infrastructure through to its subsequent "Support" and "Management". PRISM services are modular and flexible such that customers are able to choose one, several or all of the services tailored to their particular requirements.

The range of services offered are illustrated below. The PRISM employee numbers and corresponding growth rates referred to relate only to Computacenter's UK employees. Employee numbers for Computacenter's operations in France and Germany are contained under "International operations" below.

PRISM - Planning

Computacenter currently employs over 260 technical consultants whose role is to work with customers to plan and integrate their distributed IT systems. The numbers engaged in these activities more than doubled between 31 December 1995 and 31 December 1997.

The range of services Computacenter offers to its customers within the Planning element of PRISM include:

Architecture design

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

Multi-platform integration

Once a technology has been selected, it is likely to have to be integrated with other new and existing systems involving a range of different computing platforms and hardware and software from different vendors. Computacenter's technical consultants plan how the components will integrate and run together in the operational environment.

Project planning

Computacenter's project managers seek to reduce the risk of implementing complex IT solutions by planning and managing projects within a controlled framework. A key part of this framework is provided by Computacenter's project management methodology, PRIDE (Projects In a Dynamic Environment).

Specialist consultancy

There is strong demand from customers for in-depth specialist expertise in specific technologies. Computacenter provides specialist consultancy services around enterprise networking and cabling infrastructures, management of systems and networks across the enterprise, SAP infrastructure installations and Unix implementations, as well as emerging technologies such as Internet/Intranet and the network computer. Computacenter's largest group of specialist consultants is in the field of Microsoft technologies. This team includes some 60 Microsoft certified system engineers.

Technology management

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

Computacenter can help customers maintain control through services such as hardware and software audits and implementation of automated tools to track and manage distributed IT assets. Computacenter also offers security audits and is able to implement security products and processes to protect against viruses and prevent the theft of both data and equipment.

Key competitors

Computacenter usually provides planning services as part of a broader relationship with the customer. Nevertheless, Computacenter faces competition from the service arms of IT manufacturers, such as IBM and Digital, as well as systems integrators, such as CAP Gemini and Sema. However, the Directors believe that Computacenter's independence from vendors and its focus on distributed IT constitute significant competitive advantages.

PRISM - Requisition

There are over 150 Computacenter employees directly involved in the provision of Requisition services. The numbers engaged in these activities rose by over 80 per cent. between 31 December 1995 and 31 December 1997.

The range of products and services Computacenter offers to its customers within the Requisition element of PRISM include:

Product supply and delivery

UK corporate customers typically demand rapid delivery of standard products and high availability is required to compete successfully. Computacenter holds on average over £100 million worth of inventory. This stockholding policy helps to ensure that customers receive their orders for equipment promptly and efficiently.

Computacenter maintains some 28,000 products in its current available range from over 600 different suppliers. The main categories of products sold are system units (portables, desktops and servers), printers, networking equipment, peripherals and software.

Stock management is aided by the negotiation of stock rotation and price protection terms and conditions with many major suppliers. Stock rotation conditions allow Computacenter, under certain conditions, to return to suppliers products which are not sold or are surplus to requirements, enabling slow moving or obsolete stock to be replaced with current models. Price protection conditions can be applied if a vendor reduces prices on equipment currently in stock within a certain period after delivery.

High availability of product is important but it must be married with fast and accurate deliveries and invoicing. For stock items which do not require configuration, customers can typically expect delivery in less than 24 hours from the time of the original order. Computacenter typically delivers over 12,000 items a day to its UK customers.

Certain of Computacenter's major customers require a level of warranty protection on products provided by Computacenter that is in excess of the level of warranties provided to Computacenter by the relevant vendors. Further details on Computacenter's relationships with its vendors are set out under "Vendor relations".

Channel assembly programmes

The increasing proliferation of products and acceleration of the rate of technological change have put pressure on the costs of holding stock and have presented a market opportunity to vendors, such as Dell, who sell directly to the end-user. Subsequently Compaq, IBM and Hewlett-Packard, who generally sell through third parties, such as Computacenter, have responded by implementing various programmes, including build-to-order and channel assembly, as a means of reducing total stockholding levels and therefore costs.

Computacenter is one of the first companies in the UK to embark on a full channel assembly programme with IBM. Since early 1997, IBM has been delivering PCs to Computacenter without internal components such as disks and memory. Customers specify their exact requirements and Computacenter builds their machines to order. This approach increases availability for the customer and reduces stockholding requirements for Computacenter. Similar terms have recently been agreed with Hewlett-Packard.

The Directors believe that channel assembly can combine attractive economics to Computacenter, its suppliers and its customers with high levels of customer service and consequently expect to see further growth in this area.

Electronic commerce

Under an arrangement with Computasoft Limited (see under "Related party transactions" below) Computacenter uses an electronic procurement and tracking system, "On-Trac", which enables customers to access Computacenter's computer network from their own PCs. Customers can look up prices, obtain detailed product information, prepare their own specifications, check product availability, place orders, track their orders from initial order to delivery, check invoice status and receive a variety of management reports.

At present, On-Trac is installed in over 300 of Computacenter's customers. Approximately 35 per cent. of all orders, worth on average more than £1 million every working day, are received electronically by this means. On-Trac has been translated into French and German and has already been installed in 20 customers of Computacenter France. The Directors believe that On-Trac is a significant benefit to customers and an important source of competitive advantage for Computacenter.

Portfolio management

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

Key competitors

Computacenter's key competitors in this area are traditional resellers such as GE Capital ITS, Compel, SCC, Info Products and TPLC and direct vendors, notably Dell. However, in the UK market Computacenter is substantially larger than its next largest competitor in terms of revenue from reselling activities (source: PC Europa, Year 8, Issue 4). The position in France is discussed under "International operations" below.

PRISM - Implementation

Over 370 Computacenter staff are engaged in Implementation services. The numbers engaged in these activities rose by over 130 per cent. between 31 December 1995 and 31 December 1997.

The range of services Computacenter offers to its customers within the Implementation element of PRISM include:

Configuration and installation

It is often necessary to configure PCs by installing additional hardware and software products, usually sourced from several vendors, prior to installation at the end-user's desk. However, many customers do not have the space, time or resources to configure or install products themselves. Computacenter offers configuration and installation services for systems and peripherals delivered from its national configuration centre in St Albans in the UK.

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

Central configuration leads to less set up time on site, and therefore less inconvenience to the customer, lower failure rates and faster time-to-desk. Computacenter's configuration centre's static-controlled environment also reduces the risk of static damage and consequent early life failure.

Computacenter's installation service is normally scheduled at the same time as delivery. Installation often includes some additional local configuration and connection to the customer's network. Basic user training may also be performed by the installation engineer when installation is complete.

Systems engineering

Technically demanding implementations such as servers, network infrastructure and operating software, email systems, groupware or server migrations require high levels of systems engineering skills.

Computacenter employs nearly 200 trained and vendor-accredited customer engineers who are able to carry out installation and systems engineering work throughout the UK. These engineers have access to Computacenter's internal technical support function and, when necessary, to the vendor's support operations.

Customers are able to use these engineers on an ad-hoc basis. However, many customers are continually enhancing and upgrading their networks and, as a result, approximately half of the engineers are assigned to customers' sites on a longer term basis.

Project management

As organisations have moved core business applications from central computers to distributed IT networks and identified new ways of using the technology to win competitive advantage, the scale of projects has tended to increase. Computacenter is often involved in projects involving hundreds or thousands of individual PCs. Sometimes the PCs are to be installed over a wide geographic area and sometimes they are to be installed in complex environments, such as dealing rooms. Often the timescales are challenging.

Computacenter has an extensive track record of delivering successful projects within allotted timescales and within budget using its project management skills. In the year ended 31 December 1997, Computacenter's project managers directed 170 technical and logistical projects on behalf of customers.

Key competitors

The nature of the competition Computacenter faces in its Implementation services depends on the scale and type of project in question. Competitors might include traditional resellers, such as GE Capital ITS, Compel and SCC, systems houses, such as Sema and Cap Gemini, and the service arms of vendors, such as IBM and Digital.

PRISM - Support

Computacenter's range of support services is designed to complement the capabilities of its customers' internal IT departments. As at 31 December 1997, Computacenter employed over 360 staff delivering Support services including hardware maintenance, telephone support and training. The numbers engaged in these activities rose by over 85 per cent. between 31 December 1995 and 31 December 1997. In early 1996, Computacenter opened its new CallCenter in Milton Keynes, where it now employs over 60 technical specialists.

The range of services Computacenter offers to its customers within the Support element of PRISM include:

Hardware maintenance services

As many of the systems Computacenter deploys are used for business critical applications, its customers need access to a fast and effective hardware maintenance service.

Computacenter's standard maintenance offering is "Next Day" service. This builds on same-day telephone diagnosis and overnight despatch of parts to field-based engineers to deliver a cost-effective next day service. Computacenter also offers a range of enhanced maintenance services. For example, "Enhanced Server Support" makes extensive use of remote diagnostics, rapid despatch of parts and on-site repairs by specially trained engineers. Many of Computacenter's engineers are based permanently on customers' sites.

A significant proportion of the cost of maintenance is covered by manufacturers' warranties. Computacenter has invested in systems to capture and claim these credits efficiently. The Directors believe that these systems are a significant source of competitive advantage.

Telephone support

The growth of business critical applications using distributed IT has increased demands from customers for 24-hour telephone support. Computacenter's CallCenter provides such support and, in the six months ended 31 December 1997, received over 115,000 support calls. The CallCenter provides support on standard software applications and operating systems as well as customer specific applications. Sophisticated fault diagnosis and remote management tools are used to allow support specialists to update customers' systems remotely. As Computacenter has been providing technical support services for over ten years, it has accumulated a wealth of experience in problem solving techniques and call management.

IT training

Proper training of a customer's user-community reduces support costs and improves the return on the IT investment. Computacenter is a well-established provider of IT training services. Computacenter trained over 40,000 delegates in the year ended 31 December 1997 in its nation-wide network of 12 specially equipped training centres in the UK. Computacenter offers a comprehensive portfolio of training courses designed to meet the needs of system managers, support staff and end-users. Computacenter also offers bespoke courses. These are frequently developed for customers as part of large scale roll-out or system migration projects.

Key competitors

Computacenter's competition in this sector of the market is fragmented. For example, there are maintenance providers, such as Granada and ComputerAid, training companies, such as Skillsgroup and Learning Tree International, and help desk providers, such as Digital, ICL and IBM.

PRISM - Management

At 31 December 1997, there were over 520 Computacenter employees providing on-site technology management services across the UK. The numbers engaged in these activities rose by over 70 per cent. between 31 December 1995 and 31 December 1997.

Managed services is a growing area of Computacenter's business, currently delivering professional IT services to 30 customers with over 130,000 desk top users.

The range of services Computacenter offers to its customers within the Management element of PRISM includes:

Selective out-sourcing

Some organisations choose to out-source the whole of their IT function to a third party. In these cases, Computacenter is able to work in partnership with other out-sourcing companies, such as CSC, IBM and EDS, to provide the distributed IT element of a total out-sourcing contract. However, many organisations do not wish to out-source their entire IT function. They prefer to retain overall responsibility for IT management and strategy and use third party partners to out-task responsibility for certain support functions. Computacenter has established a range of managed services in response to this growing requirement. Computacenter is very flexible in its approach, with the customer deciding the degree of out-tasking, including taking on the customer's existing personnel, if required.

The managed services operation can turn Computacenter, its staff and resources, into a virtual extension of a company's IT department. The range of available managed services includes all the elements of PRISM described above, including project management, procurement management, user support and network management to more narrowly defined contracts under which, for example, Computacenter might manage and run a customer's help desk.

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

Key competitors

Computacenter's main competitors in the managed services sector of the distributed IT market include IBM, Digital, Cap Gemini, ICL and Sema.

Vendor relations

Computacenter's largest suppliers are Compaq, IBM, Toshiba, Hewlett-Packard, Sun Microsystems and Microsoft. Typically, Computacenter works closely with the vendors' own marketing teams. The vendors seek to influence potential customers to select their products and Computacenter seeks to establish itself as the customer's preferred supply channel, systems integrator and service provider.

Computacenter is vendor-independent. The Directors believe that this independence is important to many of its customers and is therefore an important part of Computacenter's market positioning. Consequently, there is a correlation between each vendor's share of the market and its share of Computacenter's turnover. Five years ago, IBM was the market leader for PCs in the UK market and IBM was the largest supplier to Computacenter. Today, Compaq has overtaken IBM to become the largest vendor of PCs in that market (source: 1997 Holway Report) and has become the leading supplier to Computacenter. Vendor-independence also helps to protect Computacenter from any downturns in the fortunes of individual vendors.

The Directors believe that, for the foreseeable future, the biggest influence on Computacenter's product sales will continue to be the vendors' overall shares of the corporate market. However, Computacenter's influence in product selection has been increasing. A growing number of customers are asking Computacenter to make recommendations or even make the choice on their behalf.

OEM product range

Computacenter has also established a range of peripheral products, such as memory and modems, under its own "Project" brand. Computacenter evaluates and selects industry leading products, negotiates OEM terms and conditions and is able to market these products to its customers at competitive prices.

International operations

Strategy

Computacenter's strategy is to develop its business in the UK, France and Germany, which the Directors believe are the three largest IT markets in Europe. Opportunities for directly owned operations outside these countries may also be considered. The Directors believe that European scale will become increasingly important as purchasing relationships with vendors gradually transfer from a national to a European basis.

Computacenter France is continuing to focus on market share growth to consolidate its position in the French market. Further investment will be required in the new German operation to establish Computacenter Germany as a leader in its sector.

This strategy is complemented by Computacenter's participation in International Computer Group (ICG), which is a joint venture with distributed IT service companies across the globe.

France and Germany

Computacenter France and Computacenter Germany are modelled on Computacenter's business in the UK and share common business models, products, practices and systems. Both companies are in the process of building their range of PRISM services, although both are at an earlier stage of development than the UK business.

Computacenter took control of Computacenter France in 1994. Computacenter France currently employs approximately 300 people and achieved a turnover of approximately £96 million in the year ended 31 December 1997 (FFr920 million). This represents a 24 per cent. increase (48 per cent. in local currency terms see paragraph 2.8 in the Accountants' report in Part IV for details of exchange rates used) on turnover in the year ended 31 December 1996. Computacenter France is the fourth largest reseller in France and its main competitors include Allium, Ista and Infopoint (source: PC Europa, Year 8, Issue 4).

In June 1997, Computacenter completed the acquisition of the majority of the shares in Bit Services GmbH to create Computacenter Germany. Computacenter has added a new product supply activity to Computacenter Germany, and the Directors anticipate that the current investment programme for the year ending 31 December 1998 should result in a significant turnover increase in the current year. Computacenter Germany currently employs approximately 110 people and achieved a turnover of approximately £4 million in the six months ended 31 December 1997.

Joint venture operations – ICG

Computacenter is able to provide service to its customers on a global scale through the international joint venture, ICG (International Computer Group). Computacenter is a founder member of this organisation and has played a leading role in its development since its creation in 1989.

ICG is an association of over 50 PC resellers around the world. Other than in certain Asian countries, only one ICG member exists per country and that organisation is responsible, subject to certain criteria being fulfilled, for providing services in its territory on behalf of the rest of ICG. Computacenter is the ICG member for the UK, France and Germany.

The members of ICG have jointly invested in a central team which co-ordinates business between members and provides international project management services for customers. This team is based in Computacenter's London headquarters.

Computacenter Distribution (CCD)

In the year ended 31 December 1997, approximately 9 per cent. of Computacenter's turnover was accounted for by Computacenter's distribution division, CCD.

The division supplies hardware and a limited range of services to UK PC resellers who do not have the scale, or do not choose, to deal directly with vendors. CCD currently employs over 40 people across three locations in the UK. It is predominantly a telemarketing activity which capitalises upon Computacenter's substantial overall investment in stock and logistics.

CCD specialises in a relatively narrow range in order to focus product knowledge and support expertise. The principal products distributed are Compaq, IBM and Toshiba PCs. All products are despatched from Computacenter's logistics centre in St Albans in the UK.

CCD competes with organisations such as Ingram Micro, Computer 2000, Northamber, Metrologie, Lantech Services, TPLC and Enhancement Technologies Corporation (ETC) (part of the SCH group).

Internal IT

The Directors believe that one of Computacenter's key strengths is its internal IT systems. Computacenter employs a team of more than 150 professionals in its internal IT department, of whom over 90 are employed in the development and implementation of systems to enhance the business and win competitive advantage.

At the core of Computacenter's infrastructure is a high capacity data and voice network, which enables staff to communicate with customers and with one another. Six central IBM AS/400s, in conjunction with a network of local Compaq Proliant servers and more than 2000 distributed PCs, process thousands of business transactions daily.

Sales orders, logistics, purchasing and finance are handled by a JBA Business/400 system, which has been extensively enhanced by Computacenter for its specific requirements.

On-Trac enables customers to view product information, prices and availability, obtain quotations, place orders and check their status. Approximately one-third of all Computacenter's orders from its customers are received electronically.

Computacenter manages maintenance calls and spares movements using a custom-developed SAX system. Support for Computacenter's CallCenter and managed services operations is provided by Computacenter's Linx call management system.

In the year ended 31 December 1997, Computacenter's internal IT infrastructure enjoyed system availability in excess of an average of 99.9 per cent.

Position on Year 2000 compliance

There can be no assurance that the steps taken by any company will successfully minimise the Year 2000 problem. However, Computacenter has established a team to seek to ensure that its IT systems and IT infrastructure are Year 2000 compliant. Computacenter's infrastructure and IT systems, On-Trac, SAX, Linx, and its sales, logistics, purchasing and finance systems are in the process of being upgraded for millennium compliance. The Directors expect that this process should be completed by the end of 1998. While it is not possible to give an accurate estimate of the costs of this work, the Directors expect that such costs will not exceed £2 million.

Quality programmes

Computacenter places great emphasis on striving for the highest standards of quality and customer satisfaction and to this end seeks regular customer feedback. The Group uses numerous techniques including account reviews, questionnaires, hotlines and telephone surveys. Computacenter's Quality First programme provides a common language and approach to the management of the business and seeks participation from the staff in improving systems and practices.

Computacenter is registered to the international quality standard ISO 9000 in a number of key areas.

Computacenter's Quality Council comprising the chairman, the chief executive and general managers from across the business meets regularly to review non-conformances as well as key performance measures and trends.

The Group's offices and premises

UK

In the UK, Computacenter's major facilities are in London (headquarters), Watford (administration) and St Albans (logistics and maintenance facility). In addition, it has branch offices in Aberdeen, Birmingham, Bristol, Cardiff, City of

London, Edinburgh, Gatwick, Glasgow, Leeds, London, Manchester, Nottingham, Reading, St Albans, Swindon and Welwyn.

France

In France, Computacenter France's major facility is in Villepinte – Paris (headquarters, logistics and maintenance). In addition, it has branch offices in Paris, Lyon, Marseilles, Bordeaux, Lille, Nantes, Nice, Strasbourg and Toulouse.

Germany

In Germany, Computacenter's major facility is in Bad Homburg – Frankfurt (headquarters, logistics and maintenance). In addition, it has branch offices in Frankfurt, Hamburg, Munich, Dusseldorf and Ludwigshafen.

Hatfield facility

In order to facilitate continued growth, Computacenter is constructing a new logistics and headquarters facility at Hatfield in Hertfordshire in the UK. This is due to be completed in 1999 and should become fully operational in 2000. The main logistics building will offer greater storage capacity, higher levels of automation and expanded configuration facilities. The Directors believe that the new facility will also deliver additional efficiency benefits as a result of the consolidation of a number of existing operations onto a single site.

Directors, management and employees

Directors

The Directors of the Company are:

Philip Hulme (aged 49), chairman, graduated from Imperial College London with a first class degree in mechanical engineering, after which he spent two years with Unilever as a consultant in operations research and industrial engineering. In 1971 he won a Harkness Fellowship and embarked on a two year MBA course at Harvard Business School, where he met Peter Ogden. On receiving his MBA in 1973 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 Computacenter on a full-time basis since then. He is also a non-executive director of Computasoft. He has been on the board of Computacenter (UK) Limited since it was formed in 1981 and on the board of the Company since it was formed in 1995.

Mike Norris (aged 36), chief executive, graduated with a degree in Computer Science and Mathematics from East Anglia University in 1983. He worked initially for a small micro-computer supplier, Synergy Computer Systems, for 14 months and 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. He was appointed a Director of Computacenter (UK) Limited in 1995 and a director of the Company in 1998.

Tony Conophy (aged 40), finance director, 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 where his roles ranged from management accountant to financial controller. He joined Computacenter in 1987 as financial controller and in 1991 he was promoted to chief accountant and then general manager of finance with responsibility for all aspects of finance as well as the purchasing function. In 1996 he was appointed finance and commercial director of Computacenter (UK) Limited with responsibility for all financial, purchasing and vendor relations activities. He was appointed a Director of the Company in 1998.

Peter Ogden (aged 50), non-executive director, holds a BSc and PhD in elementary particle physics and an MBA from the Harvard Business School. Prior to joining Computacenter, he was a managing director of Morgan Stanley & Co. working in both London and New York. In 1987 he joined Computacenter on a full-time basis as chairman and became a non-executive director in 1998. He is currently chairman of Computasoft and Omnia Asset Management Limited and is a non-executive director of Abbey National Plc and Anglo & Overseas Trust Plc.

Adrian Beecroft (aged 51), non-executive director, has a first class degree in physics from Oxford. He worked at ICL and Ocean Transport & Trading Ltd before being awarded a Harkness Fellowship to Harvard Business School in 1974. On graduating as a Baker Scholar in 1976 he joined the Boston Consulting Group where he became a vice-president and a director before joining Apax Partners & Co. Ventures Ltd in 1984. He became chairman of Apax's operating committee in 1990 and was chairman of the British Venture Capital Association in 1991/2. He has served on the boards of a number of private and public companies. He was appointed to the board of Computacenter (UK) Limited in 1985 and has been on the board of the Company since 1995.

Rod Richards (aged 42), non-executive director, has a first class degree in politics, philosophy and economics from Oxford. After university he worked for Bell & Howell in international marketing prior to studying at INSEAD where he graduated with an MBA with distinction. After working as a management consultant for McKinsey & Company he joined Foreign & Colonial Ventures in 1986, becoming a director two years later. He is a non-executive director of PSD Group PLC and has served on the boards of a number of private companies. He was appointed to the board of Computacenter (UK) Limited in 1991 and has been on the board of the Company since 1995.

Senior management

Computacenter's operating committee is chaired by the chief executive, meets on a regular basis and reports to the Board. The members are Mike Norris, Philip Hulme and Tony Conophy and the following members of the senior management of Computacenter:

Richard Archer (aged 38) joined Computacenter in 1991 and is currently general manager, London;

Andy Chudzik (aged 40) joined Computacenter in 1988 and is currently general manager, South of England;

Mike Davies (aged 37) joined Computacenter in 1992 and is currently general manager, technical services;

Martin Hellawell (aged 33) joined ICG in 1990 and then Computacenter in 1994 and is currently general manager, Corporate Development and Marketing;

John Joslin (aged 33) joined Computacenter in 1987 and is currently general manager, services and operations;

Chris New (aged 39) joined Computacenter in 1987 and is currently general manager, business development;

Alan Pottinger (aged 40) joined Computacenter in 1986 and is currently company secretary and head of human resources;

Craig Routledge (aged 40) joined Computacenter in 1990 and is currently general manager, managed services; and

Andy Stafford (aged 34) joined Computacenter in 1998 and is currently general manager, IT services.

Employees

The following table shows the average number of employees in the three years ended 31 December 1997:

	Average for year ended 31 December		
	1995	1996	1997
Area of Business	No.	No.	No.
UK			
Sales	314	381	474
PRISM services	871	1,120	1,677
Other	242	226	362
Sub-total	1,427	1,727	2,513
France			
Total	171	192	240
Germany			
Total	–	–	91
TOTAL	1,598	1,919	2,844

Computacenter's business success depends upon the calibre, training, motivation and teamwork of its staff. The ability to attract and retain the right staff is especially important in an industry which is renowned for skills shortages and staff turnover. Attrition rates in the IT industry are high. The Directors recognise the need to earn the loyalty of staff by creating a work experience which is rewarding in career, personal and financial terms.

Computacenter has two Inland Revenue approved and two unapproved executive share option schemes and a cash bonus and share plan. Over 715 employees of Computacenter hold options and/or shares in the Company pursuant to these schemes.

In conjunction with the Global Offering, the Company has established the Computacenter Bonus Plus Scheme, the Computacenter Sharesave Scheme, the Computacenter Employee Share Option Scheme and the Computacenter Performance Related Share Option Scheme. The Employee Share Option Scheme and the Performance Related Share Option Scheme replace the existing executive share option schemes under which no further options will be granted. It is intended that the Employee Share Option Scheme will be used to grant options to employees, other than the most senior executives, who will be granted options under the Performance Related Share Option Scheme.

Shortly after Admission, Computacenter intends to offer eligible employees free Ordinary Shares through the Bonus Plus Scheme. Ordinary Shares will be allocated to employees on a sliding scale according to length of service. The minimum allocation will be 25 Ordinary Shares and the maximum allocation will be 265 Ordinary Shares for five years' service. All employees of the Group as at 31 March 1998 who remain in employment on the allocation date will be eligible for these free Ordinary Shares. This could result in a maximum of 410,126 Ordinary Shares being allocated to all eligible employees with a value of £2.7 million. The trustee of the Bonus Plus Scheme will purchase for allocation to employees 410,126 Ordinary Shares in the Global Offering at the Offer Price with funding provided by the participating companies.

Computacenter also intends to operate the Sharesave Scheme shortly after Admission. Eligible employees will be invited to participate in the scheme and enter into a three or five year savings contract. Options will be granted under the scheme with an option price of not less than 80 per cent. of the market value of an Ordinary Share at the time of invitation (or such other time as may be agreed with the Inland Revenue).

Mike Norris and Tony Conophy have been granted options under the Performance Related Share Option Scheme over 49,180 and 32,787 Ordinary Shares, respectively, with an option price equal to the Offer Price. The options will lapse if Admission does not become effective by 30 September 1998. These options are subject to a performance condition, such that they can only be exercised if, over the three financial years commencing on 1 January 1998, the average annual compound growth in the Company's fully diluted earnings per share is at least equivalent to 20 per cent. If the options are not exercised, they will lapse on the fifth anniversary of the grant.

The Employee Share Option Scheme will not be operated in connection with the Global Offering.

Details of all the share schemes referred to above are set out under "Employee share schemes" in paragraph 7 of Part VI.

Corporate governance

The Company complies with the requirements of the Code of Best Practice formulated by the Cadbury Committee on the Financial Aspects of Corporate Governance, the Code of Best Practice of the Greenbury Committee and the recommendations of the Hampel Committee. Computacenter has established audit, remuneration and nomination committees.

The audit committee is chaired by Rod Richards and its other members are Adrian Beecroft and Peter Ogden. It will meet not less than three times a year. The external auditors, the finance director and other members of the management team will attend for part or the whole of each meeting. The committee may examine any matter relating to the financial affairs of the Group and the Group's internal and external audit. This includes reviewing the annual accounts, internal control procedures, accounting policies, compliance and regulatory matters, recommending the appointment and fees of the external auditors and other related issues.

The remuneration committee is chaired by Adrian Beecroft and its other member is Rod Richards. Peter Ogden is a non-voting special adviser to the remuneration committee. This committee will determine all major aspects of the Group's remuneration policy and the emoluments of executive directors and senior management by reference to independent remuneration research. The chairman will not have a casting vote.

The nomination committee is chaired by Philip Hulme and its other members are Peter Ogden and Rod Richards. This committee will meet as required to carry out the selection process for the appointment of executive and non-executive directors to the board of the Company and to propose names for approval by the full board.

Adrian Beecroft has been nominated by the Directors as the senior director to whom shareholders' concerns can be conveyed.

Related party transactions

The only material ongoing related party arrangements are for the provision of the On-Trac system (see under "Requisition" above) by Computasoft Limited to Computacenter and the supply of goods to Computasoft Limited by Computacenter. These related party transactions are carried out on a normal commercial and arm's length basis and are reflected in paragraph 7.29 in the Accountants' report in Part IV.

Financial record

Selected financial and operating information

The summarised historical information set out below for the three years ended 31 December 1997 has been extracted from the Accountants' report in Part IV of this document and should be read in conjunction with "Management's discussion and analysis of financial condition and results of operations", the Accountants' report and the information on the Group contained elsewhere in this document. Investors should read the whole document and not just rely on the summarised historical information set out below.

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Turnover	564.1	882.5	1,133.5
Operating costs	(550.9)	(842.8)	(1,081.0)
Profit/(loss) from interest in associated undertakings	–	0.2	(0.2)
Operating profit	13.2	39.9	52.3
Other income	1.2	1.4	1.4
Interest payable and similar charges	(2.2)	(7.1)	(6.6)
Profit on ordinary activities before taxation	12.2	34.2	47.1
Taxation	(5.1)	(11.8)	(16.0)
Profit on ordinary activities after taxation	7.1	22.4	31.1
Minority interests – equity	0.5	–	–
Profit attributable to members of the parent company	7.6	22.4	31.1
Dividends – ordinary dividends on equity shares	–	–	(5.0)
Retained profit for the year	7.6	22.4	26.1
Earnings per share	4.9p	14.4p	19.8p
Fully diluted earnings per share	4.6p	13.1p	17.4p
Employees	1,598	1,919	2,844

Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis of the financial condition and the results of operations of the Group should be read in conjunction with the Accountants' report in Part IV of this document, from which the summarised financial information has been extracted and with information on the Group, contained elsewhere in this document. Investors should read the whole document and not just rely on the summarised information set out below.

Overview of the three years ended 31 December 1997

The Group's trading structure has remained almost entirely the same throughout the three-year period. Computacenter (UK) Limited and Computacenter France have continued to grow organically in their chosen markets. In June 1997, the Group acquired a small German company and renamed it Computacenter Beteiligung GmbH. Turnover in the UK represented 91 per cent. of the Group's turnover in the year ended 31 December 1997 with the remainder generated in France and Germany.

Group turnover more than doubled from the year ended 31 December 1995 to the year ended 31 December 1997 as the Group increased its share of a growing market. The Group acquired a number of new customers and also increased the range of products and services supplied to existing customers.

Computacenter France generated a turnover of approximately £96 million in the 1997 financial year. This represented growth of approximately 24 per cent. (approximately 48 per cent. in local currency terms) compared to the previous year and resulted from a significant market share gain. Computacenter Germany generated a turnover of approximately £4 million from the date of acquisition to 31 December 1997. The Group is still in the early stages of development in both France and Germany where sales represent a relatively small proportion of their respective markets.

The average number of employees increased by 78 per cent. in the two years ended 31 December 1997. The Group has invested in its employees, systems and processes in order to enhance and expand the range of its service offerings. These expenditures are written off to the profit and loss account rather than capitalised on the balance sheet. The purpose of this investment is to achieve long term growth. However, such investment can depress profitability as it usually precedes the generation of incremental turnover.

As referred to under "Activities of the Group" in Part II above, services are invoiced separately or bundled together with product according to the requirements of the customer. For this reason, the Directors believe that it is not meaningful to attempt to segment the turnover and profits of the various services offered by the Group. The Group evaluates the profitability of customers across the whole spectrum of products and services supplied. However, the growing emphasis on services is apparent from the headcount statistics presented in "Activities of the Group" and, in the 1997 financial year, the increased penetration of existing accounts with additional services made a particularly important contribution to the growth of both turnover and profits.

Results of operations for the three years ended 31 December 1997

Turnover

An analysis of turnover during the period under review is shown below:

						Turnover (year ended 31 December)
		1995		1996		1997
	£m	%	£m	%	£m	%
Products and services – UK	467.2	83	743.5	84	931.9	82
Products and services – overseas	61.0	11	78.0	9	99.7	9
Total products and services	528.2	94	821.5	93	1,031.6	91
Sales to resellers (CCD)	35.9	6	61.0	7	101.9	9
Total	564.1	100	882.5	100	1,133.5	100
Growth	101.1	22	318.4	56	251.0	28

The increase in Group sales over the three year period ended 31 December 1997 was the result of new account wins, increased penetration into existing accounts with additional services, market growth and expansion of the Group's international operations. The increase in Group sales over this three year period has varied as a result of the mix of these factors.

The growth of sales to resellers in the period was the result of greater focus on this area and repositioning of the CCD brand. The Directors do not expect further material changes in CCD's share of Group turnover over the next few years.

Seasonal variations did not have a material effect on Group turnover.

Operating costs and gross margin

Operating costs comprise the following:

						Operating costs (year ended 31 December)
		1995		1996		1997
	£m	% growth	£m	% growth	£m	% growth
Cost of goods sold	444.5	25	707.3	59	891.6	26
Staff costs	48.4	13	66.8	38	104.4	56
Other operating charges	58.0	6	68.7	19	85.0	24
Total	550.9	21	842.8	53	1,081.0	28

Cost of goods sold for the Group is principally the cost of computer equipment. The gross profit margin on the sale of product, expressed as a percentage of turnover, is relatively low compared with the gross margins on the provision of other services.

	Cost of goods sold (year ended 31 December)		
	1995	1996	1997
	£m	£m	£m
Turnover	564.1	882.5	1133.5
Cost of goods sold	444.5	707.3	891.6
Gross margin	119.6	175.2	241.9
% of turnover	21.2	19.9	21.3

In the 1997 financial year, gross margin as a percentage of Group turnover increased due to an increase in the proportion of services relative to equipment sales, whereas in the 1996 financial year, the gross margin percentage fell due to the exceptionally high growth in sales of computer equipment in that year.

Staff costs

Staff costs as a proportion of operating costs (excluding costs of goods sold) have increased from 45.5 per cent in the year ended 31 December 1995 to 55.1 per cent. in the year ended 31 December 1997. This reflects the growing emphasis on services right across the Group and, particularly, the rapid growth in the number of highly skilled employees, such as technical consultants.

The Group, in common with other IT services companies, has also experienced general upward pressure on salary costs due to demand for IT skills created by the rapid growth of distributed IT and, to a lesser extent, the Year 2000 problem and the introduction of EMU. In general, the Group has been able to pass on increases in the market price of these scarce resources.

Other operating charges

Other operating charges include property costs, marketing costs, certain IT costs, delivery costs, depreciation and other administration costs.

The Group's property costs have increased more slowly than the growth in turnover. This is due to improved utilisation of the Group's facilities. Property costs for the central configuration and logistics facilities are expected to increase in 1999 due to the overlap period anticipated as the Group moves into its new facilities at Hatfield. However, these costs are expected to fall again subsequently as the existing leases expire.

The majority of the Group's property portfolio is leased.

Marketing costs primarily comprise advertising campaigns, sponsored events and seminars. In the years ended 31 December 1995 and 31 December 1996, marketing expenditure was concentrated primarily on customer events whereas in late 1996 and in the year ended 31 December 1997 the Gr ⁻up undertook advertising campaigns in order to increase the profile of the Group.

The Group has invested in its internal IT systems in order to provide competitive advantage to the business and comprehensive management controls. Development costs are expensed and the development and maintenance of internal IT systems represent significant operating costs.

Other administrative costs consist primarily of printing and stationery, tools and components, computer equipment repairs and employee travel and subsistence.

Interest income and expense

	Interest (year ended 31 December)		
	1995	1996	1997
	£m	£m	£m
Interest receivable	1.2	1.4	1.4
Interest payable	(2.1)	(7.0)	(6.5)
Finance lease interest payable	(0.1)	(0.1)	(0.1)
Total net interest and similar charges	(1.0)	(5.7)	(5.2)
Interest cover (times)[1]	13.2	7.0	10.1

(1) Interest cover is operating profit/total net interest and similar charges

Net interest and similar charges, includes interest on the bonds issued in 1995 in connection with the reorganisation described under "Additional information" in Part V. The increase of £4.7 million in 1996 was due to the interest on the bonds. The Group retired £1.8 million of outstanding debt in the year ended 31 December 1997 and £7.3 million in the year ended 31 December 1996.

Taxation

	Taxation (year ended 31 December)		
	1995	1996	1997
	£m	£m	£m
UK current	5.1	11.6	16.2
Deferred tax	–	0.2	(0.2)
Total	5.1	11.8	16.0
Effective tax rate %[1]	41.6	34.5	33.9

(1) Taxation/profit on ordinary activities before taxation

The Group is a UK corporation tax payer. One of the major factors in the reduction in the Group's effective tax rate over this three year period is the effect of the overseas subsidiaries. Losses of Computacenter France in the financial years 1995 and 1996 were unrelieved in the Group tax charge. However, the profits generated in the 1997 financial year by the French subsidiary are fully relieved against the tax losses brought forward, therefore reducing the effective tax rate in the Group in 1997.

Profit attributable to the members of the parent company

			Profit (year ended 31 December)
	1995	1996	1997
	£m	£m	£m
Profit attributable to members of the parent company	7.6	22.4	31.1
Dividends	–	–	(5.0)
Retained profit	7.6	22.4	26.1
Net profit margin (%)[1]	1.4	2.5	2.7

(1) Net profit margin — profit attributable to members of the parent company/turnover

Net profit margins have increased over the period due to the improved results of the overseas subsidiaries, the benefit of economies of scale on fixed and other costs and the increased proportion of higher gross margin services, particularly in the UK.

In the three years ended 31 December 1997, 92 per cent. of profit attributable to the parent company, Computacenter plc, has been retained in the business to finance future growth.

Working capital and liquidity

The key working capital ratios of the Group were as follows:

			Ratio
	1995	1996	1997
Stock turn (days)[1]	41	43	44
Debtors days[2]	50	49	48
Creditors days[3]	70	69	59

(1) Stock turn – stock balance/daily average cost of goods sold

(2) Debtors days – trade debtors balance/daily average sales plus VAT (1997 adjusted by £18.5 million as shown in Note 7.15 of the Accountants' report in Part IV)

(3) Creditors days – trade creditors balance/daily average cost of goods sold plus VAT

Some of the Group's activities require active management of stock due to the rapid price erosion and obsolescence of equipment. The management of the Group's debtors is an important factor in the Group's profitability. The Group operates complex working capital control mechanisms, including incentives to relevant staff, to encourage prompt collection of debt.

During the 1997 financial year, a major supplier's payment terms were renegotiated and, as a result, reduced by eight days which contributed to the reduction in creditor days from the 1996 financial year to the 1997 financial year.

	Net cash flows (year ended 31 December)		
	1995	1996	1997
	£m	£m	£m
Cash inflow from operating activities	10.8	31.7	42.6
Capital expenditure	(4.8)	(10.7)	(20.8)

In the 1995 to 1997 financial years, net cash inflows from operations have been sufficient to fund all of the Group's growth.

Capital expenditure in the 1997 financial year included £9.9 million in respect of freehold land and construction costs in connection with a new assembly and configuration plant at Hatfield in the UK. Other capital expenditure is principally new computer equipment, office equipment, furniture and fittings and motor vehicles. The Group expects to invest a further £40 million to £45 million in the 1998 financial year for various capital projects, including the Hatfield project in the UK. The Hatfield project is expected by the Directors to be funded in part through a sale and leaseback arrangement. See under "Reasons for the Global Offering and use of proceeds" below.

The net debt of the Group can be summarised as follows:

	Net debt (as at 31 December)		
	1995	1996	1997
	£m	£m	£m
Cash	17.2	17.9	13.8
Debt due in one year	(1.9)	(1.9)	(3.4)
Debt due after one year	(53.2)	(45.8)	(42.7)
Finance leases	(1.7)	(0.9)	(0.4)
Total	(39.6)	(30.7)	(32.7)

The increase in the Group turnover over the past two financial years has been funded through retained profitability and efficient working capital management.

The Group operates with facilities from Barclays Bank which can be drawn down in the form of bank overdraft, Sterling Money Market Loans or selective invoice discounting.

Reason for the Global Offering and use of proceeds

The Group's overall aim in making the Global Offering is to obtain a listing of its Ordinary Shares on the London Stock Exchange and thereby achieve liquidity for the major shareholders and employee shareholders and provide for the long term development of the Group.

Assuming the Over-Allotment Options are not exercised, the net proceeds of the Global Offering for Computacenter are estimated to be approximately £42.6 million after deduction of underwriting commissions and estimated expenses of £4.3 million. The Directors intend to use the proceeds to fund part of the development of a new assembly and configuration plant at Hatfield in the UK, for general corporate purposes and to enable the Group to enlarge its international operations or specialist areas in the UK if suitable acquisition opportunities arise.

The Group expects to spend £70 million on its new Hatfield facility in the UK, which is due to be fully operational in 2000. Approximately £10 million of this has already been funded from general corporate cash flows. The Directors expect that a further £25 million to £35 million will be funded by sale and lease back and other leasing arrangements, with the balance funded from the proceeds of the Global Offering and general corporate cash flows.

Dividend policy

Whether dividends will be proposed by the Directors with respect to any year will be dependent upon the Group's operating results, financial condition, investment strategy and other factors. The Directors presently expect that most available cash from operations will be used to fund the expected continued growth of the Group.

If the number of Ordinary Shares which will be in issue immediately following completion of the Global Offering (assuming the Over-Allotment Options are not exercised) had been in issue throughout the year ended 31 December 1997, the Directors consider that they would have declared a dividend for the year ended 31 December 1997 of 1.8p per Ordinary Share (representing a notional gross dividend of 2.25p per Ordinary Share, being the dividend plus the associated tax credit calculated at the rate of 20/80 of this dividend). This dividend would have represented a gross yield of approximately 0.3 per cent. (being the notional gross dividend per Ordinary Share divided by the Offer Price and expressing the result as a percentage). The Directors currently expect that dividend pay-out ratios will be in the region of 10 per cent. of net profit attributable to members of the parent company in any financial year.

It is currently expected that the dividends in respect of any year will be paid following the announcement of the final results. The Directors do not intend to declare an interim dividend for the year ending 31 December 1998.

Current trading and prospects

The Group's turnover and operating profit for the three months ended 31 March 1998 exceeded such figures for the comparable period in the previous year. The Directors continue to feel confident about the future prospects of the Group.

During 1999, the Group's new operational headquarters in Hatfield in the UK is expected to commence activity. This investment, including an emphasis on channel assembly, is expected by the Directors to improve efficiency and further enhance quality of service.

The following is the text of a report prepared by Ernst & Young, Chartered Accountants:

ERNST & YOUNG
Becket House, 1 Lambeth Palace Road, London SE1 7EU

The Directors
Computacenter plc
Computacenter House
93-101 Blackfriars Road
London SE1 8HW

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

21 May 1998

Dear Sirs

1 Introduction

We report on the financial information set out in paragraphs 2 to 7 below. This financial information has been prepared for inclusion in the listing particulars dated 21 May 1998 in connection with the global offering of 44,304,014 Ordinary Shares in Computacenter plc ("the Company").

The Company was incorporated as Computacenter Services Group plc on 2 October 1995 and on 24 April 1998 its name was changed to Computacenter plc. On 24 November 1995 the Company acquired the entire issued share capital of Computacenter Limited (which was renamed Computacenter (UK) Limited on 24 April 1998). Computacenter (UK) Limited has traded throughout the period covered by this report. We refer to the Company and its subsidiaries, including Computacenter (UK) Limited prior to its acquisition by the Company, as "the Group".

1.1 Basis of preparation

The financial information is extracted from the audited consolidated financial statements of Computacenter (UK) Limited for the year ended 31 December 1995 and of the Company for the 15 month period ended 31 December 1996 and the year ended 31 December 1997, after making such adjustments as we considered necessary.

1.2 Responsibility

The financial statements for the periods referred to above are the responsibility of the Directors of Computacenter (UK) Limited and the Company, respectively, who approved their issue.

It is our responsibility to compile the financial information set out in our report from those financial statements, to form an opinion on the financial information and to report our opinion to you.

1.3 Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

1.4 Opinion

In our opinion, the financial information gives, for the purposes of the listing particulars, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended.

2 Accounting policies

2.1 Basis of preparation

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

The financial information has been prepared on the following basis:

- for the year ended 31 December 1995 the financial information has been extracted from the audited consolidated financial statements of Computacenter (UK) Limited for the year ended on that date plus the results of the Company for the period from 2 October 1995 to 31 December 1995. The capital structure as at 31 December 1995 was that of the Company, and prior to 2 October 1995 was that of Computacenter (UK) Limited;
- for the year ended 31 December 1996 the financial information has been extracted from the audited consolidated financial statements of the Company for the period 2 October 1995 to 31 December 1996. Adjustments have been made to these audited financial statements to eliminate the consolidated results of Computacenter (UK) Limited for the period between its acquisition by the Company on 24 November 1995 and 31 December 1995 and to eliminate the results of the Company for the period between its incorporation on 2 October 1995 and 31 December 1995; and
- for the year ended 31 December 1997 the financial information has been extracted from the audited consolidated financial statements of the Company, to which no adjustments were considered necessary.

2.2 Basis of consolidation

The financial information for the Group consolidates the financial statements of the Company and all subsidiary undertakings of the Group for the period from the relevant date of acquisition.

Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20 per cent. of the voting rights and over which it exerts significant influence are treated as associated undertakings. The financial information for the Group includes the appropriate share of these undertakings' results (from the relevant date of acquisition) and net assets based on the audited financial statements of those undertakings.

2.3 Depreciation on 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 and period to expiry of lease
Fixtures and fittings	shorter of 7 years and period to expiry of lease
Office machinery, computer hardware and software	3 to 4 years
Motor vehicles	3 years

2.4 Leases

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

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

2.5 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.

2.6 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.

2.7 Goodwill

Goodwill, representing the net excess of the cost of acquiring businesses over the underlying fair value of their net tangible assets, is written off against reserves in the year of acquisition.

2.8 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

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 for the year. 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. All other translation differences are taken to the profit and loss account.

The average French Franc/Pound Sterling exchange rate during the year ended 31 December 1997 used to translate profit and loss accounts of Computacenter France was 9.55 French Francs to £1 (1996: 7.99 French Francs to £1; 1995: 7.6 French Francs to £1). The French Franc/Pound Sterling exchange rate at 31 December 1997 used to translate the net assets of Computacenter France was 9.90 French Francs to £1 (1996: 8.79 French Francs to £1; 1995: 7.6 French Francs to £1).

2.9 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.

2.10 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 sharehol 'ers' 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 amount.

3 Profit and loss accounts

The consolidated profit and loss accounts of the Group are set out below:

	Note	1995 £m	1996 £m	1997 £m
			Year ended 31 December	
Turnover	7.1	564.1	882.5	1,133.5
Operating costs	7.2	(550.9)	(842.8)	(1,081.0)
Profit/(loss) from interest in associated undertakings		–	0.2	(0.2)
Operating profit	7.3	13.2	39.9	52.3
Other income	7.6	1.2	1.4	1.4
Interest payable and similar charges	7.7	(2.2)	(7.1)	(6.6)
Profit on ordinary activities before taxation		12.2	34.2	47.1
Taxation	7.8	(5.1)	(11.8)	(16.0)
Profit on ordinary activities after taxation		7.1	22.4	31.1
Minority interest — equity		0.5	–	–
Profit attributable to members of the parent company		7.6	22.4	31.1
Dividends — ordinary dividends on equity shares	7.9	–	–	(5.0)
Retained profit for the year		7.6	22.4	26.1
Earnings per share	7.10	4.9p	14.4p	19.8p
Fully diluted earnings per share	7.10	4.6p	13.1p	17.4p

As a result of the Group restructuring in 1995 and the associated borrowings taken on by way of an issue of bonds (see Note 7.18), the results of the three years are not directly comparable in respect of interest payable and similar charges.

4 Statement of total recognised gains and losses

The total recognised gains and losses of the Group in the three years ended 31 December 1997 are set out below:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Profit attributable to members of the parent company for the financial year	7.6	22.4	31.1
Exchange difference on retranslation of net assets of associated and subsidiary undertakings	0.1	0.3	(0.4)
Total recognised gains relating to the year	7.7	22.7	30.7

5 Balance sheets

The consolidated balance sheets of the Group as at 31 December 1995, 1996 and 1997 are set out below:

		As at 31 December		
		1995	1996	1997
	Note	£m	£m	£m
Fixed assets				
Tangible assets	7.11	11.6	18.0	30.6
Investments	7.12	2.2	3.3	3.0
		13.8	21.3	33.6
Current assets				
Stocks	7.14	49.5	83.3	108.2
Debtors: gross		108.5	161.3	186.3
Less: non-returnable proceeds		(13.6)	(15.1)	(20.5)
	7.15	94.9	146.2	165.8
Cash at bank and in hand		17.2	17.9	13.8
		161.6	247.4	287.8
Creditors: amounts falling due within one year	7.16	(133.6)	(213.5)	(246.6)
Net current assets		28.0	33.9	41.2
Total assets less current liabilities		41.8	55.2	74.8
Creditors: amounts falling due after more than one year	7.17	(54.8)	(47.0)	(43.5)
Provisions for liabilities and charges	7.20	–	(0.2)	–
Net (liabilities)/assets		(13.0)	8.0	31.3
Capital and reserves				
Called up share capital	7.21	7.8	7.8	7.9
Share premium account	7.22	0.4	0.4	0.5
Profit and loss account	7.22	(21.3)	(0.3)	22.8
Shareholders' funds – equity		(13.1)	7.9	31.2
Minority interest – equity		0.1	0.1	0.1
		(13.0)	8.0	31.3

6 Cash flow statements

The consolidated cash flow statements of the Group for the three years ended 31 December 1997 are set out below:

		Year ended 31 December		
		1995	1996	1997
	Note	£m	£m	£m
Cash inflow from operating activities	7.23	10.8	31.7	42.6
Returns on investments and servicing of finance	7.24	(1.5)	(5.6)	(4.7)
Taxation				
Corporation tax paid		(4.1)	(5.7)	(11.3)
Capital expenditure and financial investment	7.24	(4.8)	(10.7)	(20.8)
Acquisitions and disposals	7.24	(48.5)	(1.0)	(2.8)
Equity dividends paid		–	–	(5.0)
Cash (outflow)/inflow before financing		(48.1)	8.7	(2.0)
Financing				
Issue of shares		1.1	0.1	0.2
Increase/(decrease) in debt		46.3	(8.1)	(2.3)
Net cash inflow/(outflow) from financing	7.24	47.4	(8.0)	(2.1)
(Decrease)/increase in cash in the year		(0.7)	0.7	(4.1)

Reconciliation of net cash flow to movement in net debt

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
(Decrease)/increase in cash in the year	(0.7)	0.7	(4.1)
Cash (inflow)/outflow from increase in debt and lease financing	(46.3)	8.1	2.3
Change in net debt resulting from cash flows	(47.0)	8.8	(1.8)
Non-cash changes in debt	–	0.1	(0.2)
Movement in net debt in the year	(47.0)	8.9	(2.0)
Net debt at 1 January	7.4	(39.6)	(30.7)
Net debt at 31 December	(39.6)	(30.7)	(32.7)

7 Notes to the financial information

7.1 Turnover and segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of VAT. The Group operates in one principal activity: that of the design, supply, project management and long term support of information technology systems. An analysis of turnover by destination and origin, operating profit and net assets employed is given below:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Turnover by destination			
UK	498.3	796.1	1,031.1
Rest of World	65.8	86.4	102.4
	564.1	882.5	1,133.5
Turnover by origin			
UK	503.1	804.5	1,033.8
Rest of World	61.0	78.0	99.7
	564.1	882.5	1,133.5
Operating profit			
Group before associated undertaking			
UK	14.6	40.1	51.1
Rest of World	(1.4)	(0.4)	1.4
	13.2	39.7	52.5
Associated undertaking			
Rest of World	–	0.2	(0.2)
	13.2	39.9	52.3

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Net assets employed			
Group before associated undertaking			
UK	24.7	35.3	62.1
Rest of World	1.0	2.3	1.2
	25.7	37.6	63.3
Associated undertaking			
Rest of World	0.9	1.1	0.7
Net assets employed	26.6	38.7	64.0
Net debt	(39.6)	(30.7)	(32.7)
Net assets	(13.0)	8.0	31.3

All turnover and operating profit relates to continuing operations.

Turnover of goods to resellers amounted to £101.9 million in the year ended 31 December 1997 (1996: £61.0 million; 1995: £35.9 million). In 1994, the turnover of the Group was £463.0 million.

7.2 Operating costs

An analysis of operating costs is set out below:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
(Increase) in stock of finished goods	(8.9)	(33.9)	(24.8)
Goods for resale and consumables	453.4	741.2	916.4
Cost of goods sold	444.5	707.3	891.6
Staff costs	48.4	66.8	104.4
Other operating charges	58.0	68.7	85.0
	550.9	842.8	1,081.0

In 1994, cost of goods sold was £356.9 million, staff costs were £43.0 million and other operating charges were £54.6 million.

7.3 Operating profit

Operating profit is stated after charging:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Auditor's remuneration — audit services	0.1	0.1	0.1
— non-audit services	0.1	0.1	0.1
Depreciation of owned assets	3.5	1.9	7.9
Depreciation of assets held under finance leases and hire purchase contracts	0.7	0.8	0.5
Operating lease rentals – land and buildings	3.6	3.9	4.5
– plant and machinery	2.6	2.4	3.3

7.4 Directors' remuneration

Directors' remuneration was as follows:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Fees	–	–	–
Other emoluments	0.6	1.2	1.1
	0.6	1.2	1.1
Of which the following were paid to Wadeford Limited for services provided through that company (see Note 7.29)	0.3	0.4	0.2

The remuneration of the highest paid director over the three years is set out below:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Highest paid director	0.4	0.5	0.6

The following emoluments have been waived by the highest paid director during the three year period:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Highest paid director	–	0.1	–

The Company has executive share option schemes through which directors and other senior executives are able to acquire ordinary shares in the Company. The interests of the directors over the three year period were as follows:

	Exercise Price	Number outstanding as at 31 December	
		1996	1997
	p	No	No
P J Ogden	25	1,600,000	1,600,000
P W Hulme	25	1,600,000	1,600,000

The options above were granted in April 1996 and are exercisable between April 1999 and April 2003.

7.5 Staff costs

Staff costs over the three year period are shown below:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Wages and salaries	43.0	59.7	93.0
Social security costs	5.1	6.7	10.1
Other pension costs	0.3	0.4	1.3
	48.4	66.8	104.4

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

	Year ended 31 December		
	1995	1996	1997
	No.	No.	No.
Sales and sales support	368	439	574
Administration, technical and engineering	1,230	1,480	2,270
	1,598	1,919	2,844

7.6 Other income

Other income was as follows:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Bank interest	0.5	0.8	1.4
Other income	0.1	0.6	–
Other interest receivable	0.6	–	–
	1.2	1.4	1.4

7.7 Interest payable and similar charges

Interest payable and similar charges over the period are set out below:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Bank loans and overdrafts	1.5	1.0	0.7
Interest payable in respect of finance leases	0.1	0.1	0.1
Other	0.6	6.0	5.8
	2.2	7.1	6.6

7.8 Tax on profit on ordinary activities

The charge based on the profit each year comprises:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
UK corporation tax:			
Current	5.1	11.6	16.2
Deferred tax	–	0.2	(0.2)
	5.1	11.8	16.0

7.9 Dividends on equity shares

A dividend of £5.0 million (3.17p per share) was declared and paid during the year ended 31 December 1997.

7.10 Earnings per share

As a consequence of the Group restructuring in October 1995, the capital structure and the results for the period prior to that date are not directly comparable with later periods, particularly as regards shares in issue and interest charges. Earnings per share for the year ended 31 December 1995 is based on the profit attributable to members of the parent company (see paragraph 3) and on the 155,455,000 shares, being the number of ordinary shares in issue at 31 December 1995.

Earnings per ordinary share for the years ended 31 December 1996 and 1997 are based on the profit attributable to members of the parent company and on the weighted average number of ordinary shares in issue during each year of 155,838,000 and 156,869,000 respectively.

The calculation of fully diluted earnings per share is based on the profit attributable to members of the parent company, after adding the interest income net of corporation tax which would have arisen had all the ordinary share options granted been exercised on the first day of the financial year, or at the date granted if later, and the proceeds invested in 2.5% Consolidated Stock on that day. The amount so derived has been divided by the weighted average number of ordinary shares and share options outstanding.

7.11 Tangible fixed assets:

	Freehold land and buildings £m	Short leasehold property and improvements £m	Fixtures, fittings, equipment and vehicles £m	Total £m
Cost				
At 1 January 1996	2.1	4.8	23.5	30.4
Exchange adjustments	–	–	(0.2)	(0.2)
Additions	–	1.8	8.1	9.9
Disposals	–	(0.2)	(1.6)	(1.8)
At 31 December 1996	2.1	6.4	29.8	38.3
Acquisition of subsidiary undertaking	–	–	1.5	1.5
Exchange adjustments	–	–	(0.2)	(0.2)
Additions	9.9	1.0	10.3	21.2
Disposals	–	(0.3)	(3.2)	(3.5)
At 31 December 1997	12.0	7.1	38.2	57.3
Depreciation				
At 1 January 1996	0.2	3.6	15.1	18.9
Exchange adjustments	–	–	(0.1)	(0.1)
Charge for year	–	0.5	2.2	2.7
Disposals	–	(0.2)	(1.0)	(1.2)
At 31 December 1996	0.2	3.9	16.2	20.3
Acquisition of subsidiary undertaking	–	–	1.0	1.0
Exchange adjustments	–	–	(0.1)	(0.1)
Charge for year	–	0.8	7.6	8.4
Disposals	–	(0.3)	(2.6)	(2.9)
At 31 December 1997	0.2	4.4	22.1	26.7
Net book value				
At 31 December 1997	11.8	2.7	16.1	30.6
At 31 December 1996	1.9	2.5	13.6	18.0

Included above within fixtures, fittings, equipment and vehicles are assets held under finance leases and hire purchase contracts as follows:

	As at 31 December	
	1996	1997
	£m	£m
Cost	3.0	1.5
Accumulated depreciation	(2.0)	(1.1)
Net book value	1.0	0.4
Depreciation charge for the year	0.8	0.5

7.12 Investments

	As at 31 December	
	1996	1997
	£m	£m
Associated undertaking	1.1	0.8
Own shares	2.2	2.2
	3.3	3.0

Associated undertakings:

	Year ended 31 December	
	1996	1997
	£m	£m
Share of net assets at beginning of year	0.9	1.1
Share of profits/(losses) of associated undertakings	0.2	(0.2)
Exchange adjustment	(0.1)	(0.1)
Increase in equity interest	0.1	-
Share of net assets at end of year	1.1	0.8

The associated undertakings to which these shares of net assets relate and the proportion of equity held by the Group are as follows:

Name	Country of Registration	Nature of business	Proportion held
ICG International Computer Group BV	Netherlands	Non trading	52.89%[1]
ICG Services Limited	England	International sales and marketing of microcomputer systems	28.57%

(1) includes indirect holdings of 26.67% via Computacenter (UK) Limited and 26.22% via Computacenter France SA.

On 30 August 1996 the Group increased its shareholding in ICG International Computer Group BV from 47.19 per cent. to 52.89 per cent. through a capital reconstruction. It is the intention of the directors that the holding in this investment will be restructured during 1998 and accordingly, as control is expected to be temporary, the Company has continued to account for this investment as an associated undertaking.

The Group's share of accumulated profits of associated undertakings as at 31 December 1997 was £nil (1996: £0.2 million). The Group received £0.9 million in the year ended 31 December 1997 (1996: £nil) from the associated undertakings for the provision of administration services and the reimbursement of costs incurred.

Own shares – at cost

	£m
At 1 January 1996	1.3
Acquired during 1996	0.9
At 31 December 1996 and 1997	2.2

Own shares at 31 December 1997 comprise 6,196,170 (1996: 6,636,170) ordinary shares purchased by a third party on behalf of the Computacenter Employee Share Ownership Plan (the "Plan"). All shares held by the Plan are funded by a bank loan guaranteed by Computacenter (UK) Limited.

During the year ended 31 December 1997, 930,000 (1996: 2,320,000) ordinary shares were awarded to certain executives of Computacenter (UK) Limited under the Computacenter (UK) Limited Cash Bonus and Share Plan. These shares are held by the trustee of the Computacenter Employee Share Ownership Plan on behalf of the relevant executives. The distribution of these shares is dependent upon the trustee of the Plan holding them on the employee's behalf for a restricted period of three years. Included in creditors is £1.5 million provided against the cost of these allocations at 31 December 1997 (1996: £1.5 million).

All costs incurred by the Plan are settled directly by the Group and are charged against profit as incurred. Any dividends received by the Plan in respect of shares allocated to the beneficiaries are to be paid in full to them. In 1997, the Plan has waived dividends payable in respect of 1,826,170 shares that it owns which are not allocated to employees.

7.13 Subsidiary undertakings, acquisitions

Details of the Group's principal subsidiary undertakings are as follows:

Subsidiary undertakings	Country of registration	Nature of business	Proportion held
Computacenter (UK) Limited	England	Microcomputer systems	100%
Computacenter France SA	France	Microcomputer systems	98.3%
Computacenter GmbH	Germany	Microcomputer systems	75.8%

On 24 November 1995 the Company acquired 66,833,000 "A" Ordinary Shares of US$0.01 each in Computacenter (UK) Limited, being 100 per cent. of its non-deferred nominal share capital. The consideration was made up of £48.5 million in cash and £63.7 million satisfied by the issue of 154,455,000 ordinary shares in the Company at 41.25p each. The fair values of the tangible net assets acquired and goodwill arising is as follows:

	£m
Tangible fixed assets	11.5
Investments	2.1
Stocks	51.2
Debtors	91.1
Cash/(overdrafts)	2.8
Creditors due within one year	(117.0)
Creditors due after more than one year	(6.7)
Net assets	35.0
Goodwill arising on acquisition (Note 7.22)	77.3
Minority interest	(0.1)
Total consideration	112.2
Discharged by:	
Fair value of shares issued	63.7
Cash	48.5
	112.2

The net book values of the assets and liabilities of Computacenter (UK) Limited at 24 November 1995 were deemed to be equivalent to their fair values.

On 1 January 1996 the investment in Computacenter France (SA) held by Computacenter (UK) Limited was acquired by the Company at its book value of £0.9 million. On 2 December 1996 the Company acquired a further 150,018 shares in Computacenter France (SA) from minority shareholders at a cost of £1.0 million. These transactions increased the Group's holding in Computacenter France SA from 92.6 per cent. to 98.3 per cent. The goodwill arising in 1996 (Note 7.22) results from the increase in holding in Computacenter France (SA) and an increase in the equity in ICG International Computer Group BV.

On 24 June 1997 the Company acquired 2,805,100 ordinary shares in Bit Service GmbH which was renamed Computacenter GmbH, being 75.8 per cent. of its nominal share capital, for a cash consideration of £1.4 million. The fair values of Computacenter GmbH and goodwill arising is as follows:

	£m
Tangible fixed assets	0.5
Stocks	0.1
Debtors	1.0
Cash/(overdrafts)	(1.4)
Creditors due within one year	(1.2)
Creditors due after more than one year	(0.2)
Net liabilities assumed	(1.2)
Goodwill arising on acquisition (Note 7.22)	2.6
Total consideration	1.4
Discharged by: cash	1.4

The net book values of the assets and liabilities of Computacenter GmbH at 24 June 1997 were deemed to be equivalent to their fair values.

The Company has agreed to acquire the remaining 24.2 per cent. of the nominal share capital of Computacenter GmbH and additional cash consideration may be payable to the vendors of the acquired company in the Year 2000. These payments could range from £nil to £3.6 million and are contingent on the levels of turnover in the fiscal year 1999 and the cumulative earnings before interest and tax achieved in the period 1 January 1997 to 31 December 1999. No provision has been made in this financial information for any amount which may become payable. The directors currently estimate that at the rates of exchange ruling at 31 December 1997, further payments may amount to approximately £0.5 million. During the year ended 31 December 1997, from the date of acquisition, Computacenter GmbH contributed £3.7 million to Group turnover (by origin).

7.14 Stocks

	As at 31 December	
	1996	1997
	£m	£m
Goods held for resale	83.3	108.2

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

7.15 Debtors

	As at 31 December	
	1996	1997
	£m	£m
Trade debts factored without recourse:		
Gross debts	17.8	24.1
Less: non-returnable proceeds	(15.1)	(20.5)
	2.7	3.6
Other trade debtors	137.6	154.6
Amounts owed by associated undertaking	0.1	0.3
Other debtors, prepayments and accrued income	5.8	7.3
	146.2	165.8

Debts factored without recourse represent 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.

At 31 December 1997 £18.5 million had been received under a selective invoice discounting facility which reduced the other trade debtors balance.

All debtors are receivable within one year.

7.16 Creditors: amounts falling due within one year

	As at 31 December	
	1996	1997
	£m	£m
Bank loans	1.9	1.9
Other loans	–	1.5
Trade creditors	157.7	170.3
Obligations under finance leases and hire purchase contracts	0.5	0.2
Corporation tax	10.7	15.6
Other creditors including taxation and social security	14.7	22.2
Accruals	16.8	20.6
Deferred income on maintenance contracts	11.2	14.3
	213.5	246.6

Included within other creditors at 31 December 1997 is £17.9 million in respect of taxation and social security balances (1996: £11.1 million).

Included within accruals at 31 December 1997 is £nil relating to outstanding pension contributions payable (1996: £0.1 million).

7.17 Creditors: amounts falling due after more than one year

	As at 31 December	
	1996	1997
	£m	£m
Loans	45.9	42.7
Obligations under finance leases and hire purchase contracts	0.4	0.2
Deferred income on maintenance contracts	0.7	0.6
	47.0	43.5

7.18 Loans

Loans can be analysed as follows:

	As at 31 December	
	1996	1997
	£m	£m
Not wholly repayable within five years	44.3	–
Amounts wholly payable within five years	4.8	47.2
	49.1	47.2
Less: issue costs	(1.3)	(1.1)
	47.8	46.1
Less: amounts due within one year	(1.9)	(3.4)
Loans falling due after more than one year	45.9	42.7
Analysed as amounts due:		
Within one year	1.9	3.4
Between one and two years	2.0	–
Between two and five years	0.9	43.8
In more than five years	44.3	–
	49.1	47.2
Less: issue costs	(1.3)	(1.1)
	47.8	46.1

Loans whol'y repayable within five years include £3.8 million and £1.9 million secured by a floating charge over the Group's assets as at 31 December 1996 and 1997 respectively.

The Group has guaranteed a bank loan of £0.9 million and £1.0 million as at 31 December 1996 and 1997 respectively in respect of the Computacenter Employee Share Ownership Plan.

Loans wholly repayable within five years, as at 31 December 1997, include £50 million 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 per cent. The amount repayable was reduced by £5.7 million for the par value of bonds purchased by Computacenter (UK) Limited during 1996.

The Company has entered into put and call options which may be exercised in November 1998 for the repurchase of £1.5 million of the bonds. Accordingly, these bonds are included in debt repayable within one year.

7.19 Obligations under leases and hire purchase contracts

Annual commitments for future rental payments under finance leases and hire purchase contracts were as follows:

	As at 31 December	
	1996	1997
	£m	£m
Amounts payable within one year	0.5	0.2
Amounts payable between two and five years	0.4	0.2
	0.9	0.4
Less: finance charges allocated to future periods	–	–
	0.9	0.4

7.20 Provisions for liabilities and charges

Deferred taxation

Deferred tax provided in the accounts is as follows:

	As at 31 December	
	1996	1997
	£m	£m
Capital allowances in advance of depreciation	0.2	–

There are no potential deferred tax liabilities that have not been provided at 31 December 1997 (1996: £nil).

7.21 Share capital

The authorised and allotted, called up and fully paid share capital of the Company comprised:

	Authorised as at 31 December 1996 and 1997
	£m
Ordinary shares of 5p each	25.0

	Allocated, called up and fully paid			
	As at 31 December 1996		As at 31 December 1997	
	Number (m)	£m	Number (m)	£m
Ordinary shares of 5p each	156.2	7.8	157.5	7.9

The authorised share capital of £25.0 million was formed by the creation of 500 million ordinary shares of 5p each.

On 2 October 1995 the Company issued 1 million ordinary shares at a nominal value of £0.1 million and an aggregate premium of £0.4 million. On 24 November 1995, 154.4 million ordinary shares were issued in part consideration for the acquisition of Computacenter (UK) Limited at a fair value of £63.7 million.

Options

On 24 November 1995, unexercised options to acquire 3,409,385 ordinary shares of Computacenter (UK) Limited were converted into options to acquire 13,637,540 ordinary shares in the Company. During 1997, options in respect of 703,000 (1996: 401,580) shares lapsed, options in respect of 1,298,064 (1996: 765,500) shares were exercised and new options were granted over 2,475,500 (1996: 12,076,928) shares.

Options were exercised in respect of 1,298,064 (1996: 765,500) Ordinary Shares during 1997 at a nominal value of £65,000 (1996: £38,000) and at an aggregate premium of £152,000 (1996: £23,000). Under the executive share option schemes, options outstanding at the year end comprise:

	Exercise Price	Shares under option as at 31 December	
Exercisable between	p	1996 No.	1997 No.
January 1997 – September 1997	8.33	416,992	–
January 1998 – December 1998	14.02	588,168	540,168
January 1998 – April 1999	14.02	1,203,244	748,172
January 1998 – April 2000	25.00	1,800,796	1,760,796
January 1998 – May 2001	25.00	1,283,432	1,123,432
January 1998 – April 2002	25.00	1,131,328	1,123,828
January 1998 – May 2003	28.75	2,890,500	2,630,000
January 1998 – July 2004	32.50	3,156,000	3,040,000
April 1999 – April 2003	25.00	4,839,928	4,839,928
April 1999 – April 2006	41.25	7,237,000	6,744,000
July 2000 – July 2007	160.00	–	2,475,500
		24,547,388	25,021,824

7.22 Reconciliation of shareholders' funds and movements on reserves

Movements in shareholders' funds were as follows:

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Merger reserve £m	Total shareholders' funds £m
At 1 January 1995	3.3	11.5	0.5	11.4	–	26.7
Shares issued during the year	0.1	0.7	–	–	–	0.8
Bonus issue	0.4	(0.4)	–	–	–	–
Recognised gains for the year	–	–	–	7.7	–	7.7
Goodwill write-off	–	–	–	(0.2)	–	(0.2)
Acquisition adjustments:						
Shares issued during the year	0.1	0.4	–	–	–	0.5
Net assets of Computacenter (UK) Limited at acquisition	(3.8)	(11.8)	(0.5)	(18.9)	–	(35.0)
New shares issued in exchange	7.7	–	–	–	56.0	63.7
Goodwill write-off	–	–	–	(21.3)	(56.0)	(77.3)
At 31 December 1995	7.8	0.4	–	(21.3)	–	(13.1)
Recognised gains for the year	–	–	–	22.7	–	22.7
Goodwill written off	–	–	–	(1.7)	–	(1.7)
At 31 December 1996	7.8	0.4	–	(0.3)	–	7.9
Shares issued during the year	0.1	0.1	–	–	–	0.2
Recognised gains for the year	–	–	–	30.7	–	30.7
Equity dividends paid	–	–	–	(5.0)	–	(5.0)
Goodwill written off	–	–	–	(2.6)	–	(2.6)
At 31 December 1997	7.9	0.5	–	22.8	–	31.2

7.23 Reconciliation of operating profit to operating cash flows

Operating pro[illegible] can be reconciled to operating cash flows as follows:

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Operating profit	13.2	39.9	52.3
Depreciation	4.2	2.7	8.4
Loss on disposal of fixed assets	–	0.4	0.2
Share of (profit)/loss of associated undertaking	–	(0.2)	0.2
Increase in debtors	(19.7)	(51.3)	(18.6)
Increase in stocks	(8.9)	(33.8)	(24.8)
Increase in creditors	21.7	74.5	25.3
Currency and other adjustments	0.3	(0.5)	(0.4)
Cash inflow from operating activities	10.8	31.7	42.6

7.24 Analysis of gross cash flows

	Year ended 31 December		
	1995	1996	1997
	£m	£m	£m
Returns on investments and servicing of finance			
Interest received	0.7	1.1	1.4
Interest paid	(2.1)	(6.6)	(6.1)
Interest element of finance lease rental payments	(0.1)	(0.1)	–
Net cash outflow for returns on investments and servicing of finance	(1.5)	(5.6)	(4.7)
Capital expenditure and financial investment			
Payment to acquire own shares	(0.3)	(1.0)	–
Receipt from sale of own shares	0.4	–	–
Payments to acquire tangible fixed assets	(5.1)	(9.9)	(21.2)
Receipts from sales of tangible fixed assets	0.2	0.2	0.4
Net cash outflow from capital expenditure and financial investment	(4.8)	(10.7)	(20.8)
Acquisitions and disposals			
Payments for acquired interest in subsidiary undertakings	(48.5)	(1.0)	(1.4)
Net (overdraft)/cash acquired with subsidiary undertaking	–	–	(1.4)
Net cash outflow from acquisition and disposals	(48.5)	(1.0)	(2.8)
Financing			
Issue of ordinary share capital	1.1	0.1	0.2
Repayment of bank and other loans	(1.9)	(7.3)	(1.9)
Net repayment of capital element of finance leases	(1.0)	(0.9)	(0.5)
Net proceeds from issue of bond	48.5	–	–
Proceeds from new finance leases	0.7	0.1	–
New loans	–	–	0.1
Net cash inflow/(outflow) from financing	47.4	(8.0)	(2.1)

7.25 Analysis of changes in net debt

	Cash at bank and in hand £m	Debt due within one year £m	Debt due after more than one year £m	Finance Leases £m	Total £m
As at 1 January 1995	17.9	(2.0)	(6.5)	(2.0)	7.4
Cash flows in period	(0.7)	–	(46.6)	0.3	(47.0)
Other non-cash items	–	0.1	(0.1)	–	–
As at 31 December 1995	17.2	(1.9)	(53.2)	(1.7)	(39.6)
Cash flows in period	0.7	–	7.3	0.8	8.8
Other non-cash items	–	–	0.1	–	0.1
As at 31 December 1996	17.9	(1.9)	(45.8)	(0.9)	(30.7)
Cash flows in period	(4.1)	–	1.8	0.5	(1.8)
Other non-cash items	–	(1.5)	1.3	–	(0.2)
As at 31 December 1997	13.8	(3.4)	(42.7)	(0.4)	(32.7)

7.26 Other financial commitments

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

	As at 31 December 1996		As at 31 December 1997	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Operating leases which expire:				
Within one year	0.1	0.4	0.2	0.9
Between two and five years	0.7	2.6	1.3	5.2
Over five years	2.7	–	3.1	0.2
	3.5	3.0	4.6	6.3

7.27 Capital commitments

As at 31 December 1997 future capital expenditure contracted for but not provided for amounted to £0.3 million (1996: £0.2 million).

7.28 Contingent liabilities

As at 31 December 1997, the Group has given a VAT deferred import duty guarantee of £0.1 million (1996: £0.1 million).

The Company has given a guarantee in the normal course of business to a supplier of a subsidiary undertaking for an amount not exceeding FFr10 million as at 31 December 1997 (1996: FFr10 million).

7.29 Related party transactions

(a) Computasoft Limited, a related party, provides the Computacenter customer system, which is used by approximately 300 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 ended 31 December 1997 amounted to £1.3 million (1996: £0.9 million; 1995: £0.9 million). Both Peter Ogden and Philip Hulme are directors of and have a material interest in Computasoft Limited. In addition, the Group supplied goods to Computasoft Limited in the normal course of business totalling £0.5 million (1996: £0.8 million; 1995: £0.2 million).

(b) During the three years ended 31 December 1997, Computacenter (UK) Limited has been a party to agreements with Innovative Entertainments and Promotions Limited ("IEP"), a company jointly owned by Peter Ogden and Philip Hulme, for the cost of promotional facilities provided to Computacenter (UK) Limited by that company. Computacenter has reimbursed IEP for on-going operating and running costs. Included within Computacenter (UK) Limited's total marketing expenditure during the year ended 31 December 1997 of £5.7 million (1996: £3.8 million; 1995: £3.3 million) are costs in relation to IEP of £0.8 million (1996: £0.8 million; 1995: £1.3 million).

(c) During the three years ended 31 December 1997, Computacenter (UK) Limited has had a promotional agreement with Marcos Sales Limited, a company in which Philip Hulme and Peter Ogden have a material equity interest. Total amounts payable to Marcos Sales Limited during the year ended 31 December 1997 amounted to £0.2 million (1996: £0.2 million; 1995: £0.8 million).

(d) During the three years ended 31 December 1997, Computacenter (UK) Limited has had an agreement for the charter of a helicopter with Helimand Limited, a company in which Peter Ogden has a material equity interest. Under the contract the company has been required to pay a monthly fee of £20,400 plus running costs. Charter fees and running costs payable during the year ended 31 December 1997 amounted to £0.3 million (1996: £0.4 million; 1995: £nil).

(e) During the three years ended 31 December 1997, Computacenter (UK) Limited has been a party to an agreement with Wadeford Limited, a company in which Peter Ogden has a material equity interest, for the provision of the consultancy services of Peter Ogden to Computacenter (UK) Limited. Computacenter (UK) Limited has been contracted to make payments of £0.2 million (1996: £0.2 million; 1995 £0.2 million) per annum plus bonuses and reimbursement of out of pocket expenses. In the year ended 31 December 1997 Computacenter (UK) Limited paid £0.2 million (1996: £0.5 million; 1995: £0.3 million) under this contract.

Since 31 December 1997, the Group has terminated the agreements set out in sub-paragraphs (b), (c), (d) and (e) above.

Yours faithfully

Ernst & Young
Chartered Accountants

Pro forma financial information

The following pro forma information has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the Group's financial position or results. All adjustments made are in respect of events which are expected to have a continuing effect on the Group as a result of the Global Offering.

Pro forma profit and loss statement

Set out in the table below are the consolidated results of the Group for the year ended 31 December 1997, extracted from the profit and loss account for the year ended 31 December 1997 as set out in the Accountants' report in Part IV, and adjusted for the impact of the Global Offering as if the net proceeds to the Company had been received on 1 January 1997:

	Accountants' report £m	Adjustments £m	Pro forma results £m
Turnover	1,133.5	–	1,133.5
Operating costs	(1,081.0)	–	(1,081.0)
Loss from interest in associated undertakings	(0.2)	–	(0.2)
Operating profit	52.3	–	52.3
Other income	1.4	2.8	4.2
Interest payable and similar charges	(6.6)	–	(6.6)
Profit on ordinary activities before taxation	47.1	2.8	49.9
Taxation	(16.0)	(0.9)	(16.9)
Profit on ordinary activities after taxation	31.1	1.9	33.0
Minority interest – equity	–	–	–
Profit attributable to members of the parent company	31.1	1.9	33.0
Earnings per share	19.8p	0.3p	20.1p
Fully diluted earnings per share	17.4p	0.4p	17.8p

Notes:

(1) The adjustment to other income reflects interest on the net proceeds receivable by the Company from the Global Offering, based on: (a) net proceeds of £42.6 million, arising from the issue of 7.0 million new Ordinary Shares at the Offer Price and assuming no exercise of the Over-Allotment Options; and (b) interest thereon at 6.57 per cent., being the average overnight inter-bank rate during the year ended 31 December 1997

(2) The adjustment to the taxation charge reflects additional taxation on the interest income referred to in (1) above. An effective taxation rate of 31.5 per cent. has been assumed

(3) Pro forma earnings per share have been calculated on the basis of the pro forma profit for the year ended 31 December 1997 and on 163.9 million Ordinary Shares, being the weighted average number of Ordinary Shares outstanding during the year, adjusted as if the issue of 7.0 million new Ordinary Shares had taken place at the beginning of the year

(4) Pro forma fully diluted earnings per share have been calculated on the basis of the pro forma profit for the year ended 31 December 1997, after adding the interest income net of corporation tax which would have arisen had all of the Ordinary Share options granted been exercised on the first day of the year or at the date granted, if later, and the proceeds invested in 2.5 per cent. Consolidated Stock on that day. The amount so derived has been divided by 188.7 million, being the average number of Ordinary Shares and Ordinary Share Options outstanding during the year, adjusted as if the issue of 7.0 million new Ordinary Shares had taken place at the beginning of the year

Pro forma net asset statement

Set out in the table below are the pro forma net assets of the Group as at 31 December 1997 based on the balance sheet at 31 December 1997 as extracted from the Accountants' report in Part IV adjusted as if the net proceeds to the Company receivable as a result of the Global Offering had been received on 31 December 1997:

	Accountants' report £m	Adjustments £m	Pro forma net assets £m
Fixed assets			
Tangible assets	30.6	–	30.6
Investments	3.0	–	3.0
	33.6	–	33.6
Current assets			
Stocks	108.2	–	108.2
Debtors	165.8	–	165.8
Cash at bank and in hand	13.8	42.6	56.4
	287.8	42.6	330.4
Creditors: amounts falling due within one year	(246.6)	—	(246.6)
Net current assets	41.2	42.6	83.8
Total assets less current liabilities	74.8	42.6	117.4
Creditors: amounts falling due after more than one year	(43.5)	—	(43.5)
Net assets	31.3	42.6	73.9

Notes:

(1) The adjustment to cash at bank and in hand reflects receipt of the net proceeds to the Company from the Global Offering of £42.6 million, based on the issue of 7.0 million new Ordinary Shares at the Offer Price and assuming no exercise of the Over-Allotment Options

(2) No adjustments have been made to reflect trading since 31 December 1997

ERNST & YOUNG
Becket House, 1 Lambeth Palace Road, London SE1 7EU

The Directors
Computacenter plc
Computacenter House
93-101 Blackfriars Road
London SE1 8HW

21 May 1998

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB

Dear Sirs

We report on the pro forma profit and loss statement and the pro forma net asset statement ("the pro forma financial information") set out in Part V of the Listing Particulars dated 21 May 1998, which have been prepared, for illustrative purposes only, to provide information about the impact of the offering of Ordinary Shares in Computacenter plc ("the Company").

Basis of preparation

The pro forma financial information is based on the consolidated profit and loss account of the Company and its subsidiaries ("the Group") for the year ended 31 December 1997 and on the consolidated balance sheet of the Group at 31 December 1997 as set out in the audited financial statements of the Group and the Accountants' report set out in Part IV of the Listing Particulars.

Responsibility

The pro forma financial information and audited financial statements are the sole responsibility of the Directors of the Company. We, as reporting accountants, are responsible for the Accountants' report.

It is our responsibility to form an opinion on the pro forma financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 12.29 of the Listing Rules.

Yours faithfully

Ernst & Young

Chartered Accountants

Additional information

1 Incorporation

The Company was incorporated and registered in England and Wales with registered number 3110569 on 2 October 1995 as a public limited company under the Companies Act with the name Computacenter Services Group Plc. On 5 October 1995, a certificate to do business was granted to the Company under Section 117 of the Companies Act. The Company changed its name to Computacenter plc on 24 April 1998. The registered office and head office of the Company is Computacenter House, 93-101 Blackfriars Road, London SE1 8HW.

2 Share and loan capital

2.1.1 The share and loan capital history of the Company is as follows:

(i) On incorporation the authorised share capital of the Company was £25,000,000 divided into 500,000,000 Ordinary Shares of 5p each (the "Ordinary Shares"), of which two were issued for cash at 41.25p per share to the subscribers to the memorandum of association.

(ii) On 4 October 1995, 999,998 Ordinary Shares were allotted at 41.25p per share to Lumbro Nominees (Jersey) Limited of 2-6 Church Street, St Helier, Jersey against an undertaking to pay cash, which payment was subsequently made, in order to enable the Company to obtain a certificate to do business under Section 117 of the Companies Act.

(iii) On 24 November 1995, 154,455,000 Ordinary Shares were issued in part consideration of the acquisition of Computacenter (UK) Limited at a fair value of £63,713,000.

(iv) On 24 November 1995 the Company issued a 10 per cent. £50,000,000 bond repayable on 24 November 2002 in order to finance the cash element of the consideration offered in the acquisition of Computacenter (UK) Limited.

(v) During the financial year ended 31 December 1996, options were exercised in respect of 765,500 Ordinary Shares at a total subscription price of £61,107.

(vi) During the financial year ended 31 December 1997, options were exercised in respect of 1,298,064 Ordinary Shares at a total subscription price of £217,030.

(vii) During the period from the year ended 31 December 1997 to 20 May 1998 (the latest practicable date prior to the publication of this document), options were exercised in respect of 1,689,748 Ordinary Shares at a total subscription price of £478,650.

All of the above issues of Ordinary Shares were fully paid.

2.1.2 A description of the resolutions, authorisations and approvals by virtue of which the new Ordinary Shares will be issued is as follows:

(i) By means of a resolution dated 22 November 1995 the Company adopted its Articles of Association pursuant to which the Directors were generally and unconditionally authorised for the purposes of Section 80 of the Companies Act, to allot relevant securities up to an aggregate nominal amount equal to £24,050,000. The authority was due to expire five years after the date of the passing of the resolution to adopt these Articles (on terms that the Company could make offers or agreements which would or might require equity securities to be allotted after the expiry of such authority).

(ii) By means of a written resolution dated 22 November 1995 the Company adopted its Articles of Association pursuant to which the provisions of Section 89(1) of the Companies Act were disapplied, for the period of the authority as described in 2.1.2(i), in respect of allotments of equity securities wholly for cash up to an aggregate nominal amount equal to £24,050,000. The disapplication was due to expire five years after the date of the passing of the resolution to adopt these Articles, when a resolution for a similar disapplication of this section for a further period would have been sought.

2.1.3 A description of the resolutions, authorisations and approvals which shall apply with effect from Admission is as follows:

(i) By a special resolution passed at the Company's annual general meeting on 24 April 1998, the Company, conditionally on Admission becoming effective no later than 30 September 1998, adopted its new Articles of Association pursuant to which the Directors are generally authorised for the purposes of Section 80 of the Companies Act, to allot relevant securities up to an aggregate nominal amount equal to £2,626,9[illegible]4. The authority expires on the date of the next annual general meeting of the Company or 24 September 1999 (whichever is earlier) (on terms that the Company may make offers or agreements which would or might require equity securities to be allotted after the expiry of such authority). A further authority will be sought at the next annual general meeting.

(ii) By and pursuant to a special resolution passed at the Company's annual general meeting on 24 April 1998, the Company, conditionally on Admission becoming effective no later than 30 September 1998, adopted its new Articles of Association pursuant to which the provisions of Section 89(1) of the Companies Act are disapplied, for the period of the authority as described in 2.1.3(i), in respect of allotments of equity securities wholly for cash: (a) in connection with a rights issue; and (b) otherwise than in connection with a rights issue, up to an aggregate nominal amount equal to £394,037 (5 per cent. of the issued share capital on 24 April 1998). The disapplication expires on the date of the next annual general meeting of the Company or 24 September 1999 (whichever is earlier), when a resolution for a similar disapplication of this section for a further period will be sought.

(iii) The Company is subject to the continuing obligations of the London Stock Exchange with regard to the issue of securities for cash. The provisions of Section 89 of the Companies Act (which, to the extent not disapplied, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in Section 743 of the Companies Act) apply to the authorised but unissued share capital of the Company (in respect of which the Directors have authority to make allotments pursuant to Section 80 of the Companies Act as referred to in 2.1.3(i) above) except to the extent such provisions have been disapplied as referred to in 2.1.3(ii) above.

2.2 Pursuant to the Global Offering, the Company intends to issue for cash at the Offer Price 7,010,171 Ordinary Shares (7,755,016 Ordinary Shares if the Over-Allotment Options are exercised in full).

2.3 During the three years immediately preceding the date of this document the changes in the amount of the issued share capital of Computacenter (UK) Limited were as follows:

(i) By a Special Resolution passed on 2 October 1995 and which became unconditional on 25 October 1995, Computacenter (UK) Limited increased its authorised share capital from 84,000,000 ordinary shares of 5p each by the creation of 80,000,000 'A' ordinary shares of US$0.01 each and converted the existing ordinary shares into deferred shares.

(ii) During the financial year ended 31 December 1995, options were exercised in respect of 1,174,777 ordinary shares at a total subscription price of £728,905 (which were converted into one deferred share each).

All of the above issues of shares were fully paid.

2.4 Save as referred to in this paragraph 2 and under "Employee share schemes" and "Underwriting arrangements" below:

2.4.1 no commissions, discounts or other special terms have, in the three years immediately preceding the date of this document, been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

2.4.2 no share or loan capital of the Company nor any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

2.4.3 no share or loan capital of the Company nor any member of the Group has, within three years before the date of this document, been issued or agreed to be issued or is now proposed fully or partly paid either for cash or for a consideration other than cash to any person not being another member of the Group.

2.5 On 19 August 1996 the Company entered into an agreement with De Nationale Investeringsbank NV ("DNIB") under which the Company has the option to purchase, on 24 November each year from 1998 until 2002, Bonds with a face value of £1.5 million at 100 per cent. of their face value. In addition, DNIB has the option to sell to the Company, on 24 November each year from 1998 until 2002, Bonds with a face value of £1.5 million at 100 per cent. of their face value. These Bonds are described under "The Company's Bonds" below.

3 Subsidiary and associated undertakings

The Company is the holding company of the Group. The following table shows the principal subsidiaries of the Company. Except where stated otherwise, each of these companies is wholly owned by a member of the Group, the issued share capital is fully paid and each is included in the consolidated accounts of the Group:

Subsidiary	Date of Incorporation	Country of Incorporation	Principal Activity	% equity shares held	Issued Capital (fully paid)
Computacenter (UK) Limited	18 November 1981	England	Microcomputer systems	100	84,000,000 deferred Ordinary Shares of 5p each and 80,000,000 'A' Ordinary Shares of US$0.01 each
Computacenter France (SA)	15 October 1992	France	Microcomputer systems	98.3	FFr25,000,000 shares of FFr1.20 each
Computacenter Beteiligung GmbH (known as Computacenter Germany)[1]	13 July 1989	Germany	Microcomputer systems	75.8	DM3,700,000

(1) The Company has agreed to acquire the remaining 24.2 per cent. of the shares from the four shareholders who are still managers and employed by Computacenter Germany. The consideration for these remaining shares is linked to an earn-out arrangement whereby these shareholders will be paid according to the future performance of Computacenter Germany. The payment will be calculated by applying a multiple (which will be determined by reference to Computacenter Germany's turnover in its 1999 financial year and its cumulative earnings, before interest and tax, achieved between 1 January 1997 and 31 December 1999), but is capped at DM10.5 million

The principal associated undertaking of the Group is set out below:

Associates	Country of Incorporation	Principal Activity	% equity shares held
ICG Services Limited	United Kingdom	International sales and marketing of microcomputer systems	28.57%

4 Memorandum and articles of association

4.1 Memorandum of Association

The memorandum of association of the Company provides in Clause 4 that its principal objects are:

4.1.1 carrying on the business of a holding company; and

4.1.2 carrying on the business of a computer utility organisation, offering computerised accounting, financial systems and reporting services, acting as consultants and implementers of computerised systems and services and providing specialised training in addition to all matters pertaining thereto.

The objects of the Company are set out in full in Clause 4 of the Company's memorandum of association, which is available for inspection at the addresses specified in section 19 below.

4.2 Articles of association

New articles of association of the Company (the "Articles") have been adopted pursuant to an annual general meeting dated 24 April 1998. These contain (amongst others) provisions to the following effect:

4.2.1 Dividends

(i) The Company may by ordinary resolution declare dividends to be paid to the members according to their respective rights and interests in the profits of the Company and may fix the time for payment of such dividends but no such dividend shall exceed the amount recommended by the Directors. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit. Unless and to the extent that rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid up throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls shall be treated as paid on the share.

(ii) No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Companies Act, the Uncertificated Securities Regulations 1995 (the "Regulations") and every other statute, statutory instrument, regulation or order for the time being in force concerning companies and affecting the Company (the "Statutes").

(iii) Any dividend unclaimed after a period of 12 years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to the Company.

(iv) The Directors may at their discretion make provisions to enable any member as they shall from time to time determine to receive dividends duly declared in a currency or currencies other than sterling or dollars.

(v) The Directors may offer to Ordinary Shareholders the right to receive, in lieu of dividend (or part thereof), an allotment of new Ordinary Shares credited as fully paid.

4.2.2 Winding-up

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution:

(i) divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out between the members; and

(ii) vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit but no past or present shareholder shall be compelled to accept any shares or other property in respect of which there is a liability.

4.2.3 Voting

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any class of shares, on a show of hands, every member being an individual who is present in person shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share held by him.

No member shall, unless the Directors otherwise determine, be entitled to vote in respect of any share held by him either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him to the Company in respect of that share remains unpaid.

4.2.4 Suspension of rights

If any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under Section 212 of the Act and is in default for a period of 14 days in supplying to the Company the information thereby required, then (unless the Directors otherwise determine) the member shall not (for so long as the default continues) be entitled to attend nor vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings in respect of the shares in relation to which the default occurred ("Default Shares") or any other shares held by the member.

Where the Default Shares represent 0.25 per cent. or more of the issued shares of the class in question, the Directors may in their absolute discretion by notice (a "Direction Notice") to such member direct that any dividend or other money which would otherwise be payable in respect of the Default Shares shall be retained by the Company without any liability to pay interest and/or that no transfer of any of the shares held by such member shall be registered unless the transfer is an approved transfer (as defined in the Articles) or the member is not himself in default as regards supplying the information required and the transfer is of part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which are the subject of the transfer are Default Shares. In the case of shares in uncertificated form, the Directors may only exercise their discretion not to register a transfer if permitted to do so by the Regulations. Any Direction Notice shall cease to have effect in relation to any shares which are transferred by such member by means of an approved transfer.

4.2.5 Variation of rights

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes, be varied or abrogated either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. At every separate meeting the necessary quorum shall be two persons at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (but so that at any adjourned meeting any holder of shares of the class present in person or by proxy shall be a quorum) and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him.

4.2.6 Alteration of share capital

The Company may by Ordinary Resolution:

(i) increase its capital by such sum to be divided in to shares of such amounts as the resolution shall prescribe;

(ii) consolidate or divide all or any part of its share capital into shares of a larger amount than its existing shares;

(iii) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled;

(iv) subdivide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares.

Subject to the provisions of the Statutes, the Company may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class (including any redeemable shares) but so that if there shall be in issue any shares which are admitted to the Official List of the London Stock Exchange and which are convertible into equity share capital of the Company of the class proposed to be purchased, then the Company shall not purchase, or enter into a contract under which it will or may purchase, such equity shares unless either:

(a) the terms of issue of such convertible shares include provisions permitting the Company to purchase its own equity shares or providing for adjustment to the conversion terms upon such a purchase; or

(b) the purchase, or the contract, has first been approved by an Extraordinary Resolution passed at a separate meeting of the holders of such convertible shares.

Subject to the provisions of the Act and to any rights conferred on the holders of any class of shares, the Company may by Special Resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any way.

4.2.7 Issue of shares

Subject to the provisions of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all unissued shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.

4.2.8 Shares in uncertificated form

Subject to the Statutes and the rules (as defined in the Regulations), the Directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of a relevant system or that shares of any class should cease to be held and transferred as aforesaid. The provisions of the Articles shall not apply to shares of any class which are in uncertificated form to the extent that such Articles are inconsistent with the holding of shares of that class in uncertificated form, the transfer of title to shares of that class by means of a relevant system, or any provision of the Regulations. For the purpose of effecting any actions by the Company, the Directors may determine that holdings of the same member in uncertificated form and in certificated form shall be treated as separate holdings.

4.2.9 Transfer of shares

(i) All transfers of shares which are in certificated form may be effected by transfer in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof. All transfers of shares which are in uncertificated form may be effected by means of a relevant system as defined in the Regulations.

(ii) The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless it is in respect of only one class of share and is lodged at the Transfer Office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

(iii) The Directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason therefor refuse to register any transfer of shares (not being fully-paid shares) provided that, where any such shares are admitted to the Official List of the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The Directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly.

(iv) If the Directors refuse to register an allotment or transfer they shall within two months after the date on which:

(a) the letter of allotment or transfer was lodged with the Company (in the case of shares held in certificated form); or

(b) the Operator-instruction (as defined in the Articles) was received by the Company (in the case of shares held in uncertificated form);

send to the allottee or transferee notice of the refusal.

4.2.10 Directors

(i) Save as otherwise provided in the Articles or unless varied by ordinary resolution of the Company, the Directors shall not be less than three nor more than 20 in number.

(ii) A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at shareholders' meetings.

(iii) The ordinary remuneration of the Directors shall from time to time be determined by the Directors except that such remuneration shall not exceed £300,000 per annum in aggregate or such higher amount as may from time to time be determined by Ordinary Resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. A Director shall be paid out of the funds of the Company all reasonable expenses properly incurred by him in or about the discharge of his duties including his expenses of travelling to and from meetings of the Directors or of any committee of the Directors or shareholders' meetings or otherwise in connection with the business of the Company. The Directors shall have power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any person who is or has been at any time a Director of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or any such subsidiary or associated company and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(iv) Subject to the provisions of the Statutes, and provided that he has disclosed to the Directors the nature and extent of any interest of his, a Director may:

(a) be a party to, or otherwise interested in, any contract, transaction or arrangement with the Company or in which the Company is otherwise interested;

(b) be a director or other officer of, or employed by, or a party to any contract, transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;

(c) act in a professional capacity for the Company (other than as Auditor) and be remunerated therefor; and

(d) not, save as otherwise agreed by him, be accountable to the Company for any benefit which he derives from any such contract, transaction or arrangement or from any such office or employment or from any interest in any such body corporate or for such remuneration and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

(v) Save as otherwise provided in the Articles, a Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of interests in shares or debentures or other securities of, or otherwise in or through, the Company. A Director shall not be counted in the quorum of a meeting in relation to any resolution on which he is not entitled to vote. Subject to the provisions of the Statutes, a Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(a) the giving of any security, guarantee or indemnity in respect of (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings, or (ii) a debt or other obligations of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(b) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(c) any proposal concerning any other body corporate in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise, provided that he (together with persons connected with him within the meaning of Section 346 of the Act) does not have an interest (as that term is used in Sections 198 to 211 of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(d) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and

(e) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.

(vi) At each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

(vii) Any provisions of the Statutes which, subject to the provisions of the Articles, would have the effect of rendering any person ineligible for appointment as a Director or liable to vacate office as a Director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment or election of any Director over a specified age, shall not apply to the Company.

4.2.11 Borrowing powers

Subject to the provisions of the Articles and the Statutes, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property, assets (both present and future) and uncalled capital or any part or parts thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights, powers of control or rights of influence exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (so far, as regards subsidiary undertakings, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding at any time of all moneys borrowed by the Group and for the time being owing to persons outside the Group shall not at any time without the previous sanction of an Ordinary Resolution of the Company exceed an amount equal to three times the Adjusted Capital and Reserves (as defined in the Articles).

4.2.12 Untraced shareholders

The Company shall be entitled to sell at the best price reasonably obtainable at the time of sale the shares of a member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law if and provided that:

(i) during the period of 12 years prior to the date of the publication of the advertisements referred to in paragraph (ii) below (or, if published on different dates, the first thereof) at least three dividends in respect of the shares have become payable and no dividend in respect of those shares has been claimed; and

(ii) the Company shall on expiry of such period of 12 years have inserted advertisements in both a national newspaper and in a newspaper circulating in the area in which the last known address of the member or the address at which service of notices may be effected under these Articles is located giving notice of its intention to sell the said shares; and

(iii) during the period of three months following the publication of such advertisements the Company shall have received no communication from such member or person; and

(iv) notice shall have been given to the London Stock Exchange of its intention to make such sale.

The Company shall be obliged to account to the former member or other person previously entitled as aforesaid for an amount equal to such proceeds and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount which shall be a permanent debt of the Company. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds.

5 Directors' and other interests

5.1 As at 20 May 1998, the latest practicable date prior to publication of this document, and as of immediately after the Global Offering, the interests of the Directors in respect of Ordinary Shares which (i) have been notified to the Company pursuant to Section 324 or 328 of the Companies Act or (ii) are required to be entered in the register maintained under Section 325 of the Companies Act or (iii) are interests of a person connected with any Director (within the meaning of Section 346 of the Companies Act) which would, if the connected person were a Director, be required to be disclosed under (i) or (ii) above, and the existence of which is known or could with reasonable diligence be ascertained by that Director, are set out below:

	Shareholdings prior to the Global Offering[1]	
Director	Non Beneficial[2]	Beneficial
Philip Hulme	9,550,000(6.0%)	38,023,475(23.9%)
Peter Ogden	3,500,000(2.2%)	43,673,475(27.4%)
Mike Norris	–	1,198,144
Tony Conophy	–	1,022,448
Adrian Beecroft	–	149,783
Rod Richards	–	–

Director	Shareholdings after the Global Offering assuming no exercise of the Over-Allotment Options[1] Non Beneficial[2]	Beneficial
Philip Hulme	4,550,000(2.7%)	38,023,475(22.2%)
Peter Ogden	500,000(0.3%)	42,073,475(24.6%)
Mike Norris	–	1,196,944
Tony Conophy	–	1,012,348
Adrian Beecroft	–	149,783
Rod Richards	–	7,500

Director	Shareholdings after the Global Offering assuming full exercise of the Over-Allotment Options[1] Non Beneficial[2]	Beneficial
Philip Hulme	4,039,249(2.3%)	38,023,475(22.2%)
Peter Ogden	–	42,062,724(24.5%)
Mike Norris	–	1,196,944
Tony Conophy	–	1,012,348
Adrian Beecroft	–	149,783
Rod Richards	–	7,500

Director	Shares under option prior to the Global Offering[3]	Shares under option after the Global Offering[3]
Philip Hulme	1,600,000	1,600,000
Peter Ogden	1,600,000	1,600,000
Mike Norris	2,139,180[4]	1,899,180[4]
Tony Conophy	882,787[4]	882,787[4]
Adrian Beecroft	–	–
Rod Richards	–	–

(1) Ordinary Shares allocated to a Director under the Computacenter Limited Cash Bonus and Share Plan (described under "Employee Share Schemes") are included in this table.

(2) The non-beneficial interests of Philip Hulme and Peter Ogden include the Ordinary Shares held by two charitable trusts: the Hadley Trust and the Ogden Charitable Trust.

(3) Shares under option pursuant to the Company's share option schemes, described under "Employee share schemes".

(4) These figures include Ordinary Shares (Mike Norris: 49,180 Ordinary Shares and Tony Conophy: 32,787 Ordinary Shares) over which options have been granted under the Computacenter Performance Related Share Option Scheme. These options will lapse if Admission does not become effective by 30 September 1998.

The Directors are also interested, as beneficiaries, in 1,475,170 Ordinary Shares held by the trustee of the Computacenter Employee Share Ownership Plan, as at 20 May 1998, the latest practicable date prior to publication of this document.

Adrian Beecroft and Rod Richards participate in incentive schemes operated by Apax Partners & Co. Ventures Limited and Foreign & Colonial Ventures Limited , respectively and, accordingly, have an interest in the performance of the Ordinary Shares held by Apax and Foreign & Colonial.

5.2 The Directors are aware of the following interests (within the meaning of Part VI of the Companies Act) which represent, or will represent, in addition to those listed in 5.1 above, 3 per cent. or more of the issued share capital of the Company, as of 20 May 1998 (the latest practicable date prior to publication of this document) and as of immediately after the Global Offering:

Shareholder	Shareholding prior to the Global Offering	Shareholding after the Global Offering assuming no exercise of the Over-Allotment Options	Shareholding after the Global Offering assuming full exercise of the Over-Allotment Options
Apax	39,716,657(25.0%)	18,660,779(10.9%)	16,420,298(9.6%)
Foreign & Colonial Ventures	13,269,074(8.3%)	9,288,352(5.4%)	8,864,778(5.2%)

5.3 Save as set out under "Related party transactions" in Part II and in paragraph 7.29 of the Accountants' report in Part IV, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by a member of the Group during the current or immediately preceding financial year or was effected by a member of the Group during an earlier financial year and remains in any respect outstanding or unperformed.

5.4 There are no outstanding loans granted by any member of the Group to any of the Directors, nor any guarantees provided by any member of the Group for the benefit of any Director.

5.5 Save as disclosed in paragraph 5.1 and paragraph 5.2 above and in "Underwriting arrangements" below, the Company is not aware of any person who is or will be, immediately following Admission, directly or indirectly, interested in 3 per cent. or more of the issued share capital of the Company, or any person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company.

6 Directors' service contracts and remuneration

6.1 The main terms on which each of the Directors named below are employed by the Group, with effect from Admission, are set out below.

6.1.1 Philip Hulme has an agreement dated 23 April 1998 with Computacenter (UK) Limited terminable by either party on 12 months' notice, providing for remuneration of £300,000 per annum. He is provided with a company car.

6.1.2 Mike Norris has an agreement dated 23 April 1998 with Computacenter (UK) Limited terminable by either party on 12 months' notice, providing for remuneration of £300,000 per annum together with a discretionary bonus determined by the Company's remuneration committee depending on his performance and that of the Group. His bonus for the year ending 31 December 1998 will be capped at £150,000. It is intended that he will be granted options under the Company's Performance Related Share Option Scheme, at the discretion of the Company's remuneration committee. He is provided with a car. He is entitled to an annual pension contribution of £2,500 per annum under the arrangements described under "Pensions" below.

6.1.3 Tony Conophy has an agreement dated 23 April 1998 with Computacenter (UK) Limited terminable by either party on 12 months' notice, providing for remuneration of £200,000 per annum together with a discretionary bonus determined by the Company's remuneration committee depending on his performance and that of the Group. His bonus for the year ending 31 December 1998 will be capped at £100,000. It is intended that he will be granted options under the Company's Performance Related Share Option Scheme, at the discretion of the Company's remuneration committee. He is provided with a car. He is entitled to an annual pension contribution of £2,500 per annum under the arrangements described under "Pensions" below.

6.1.4 Under the terms of the agreements that the Directors referred to in paragraphs 6.1.1 to 6.1.3 have with Computacenter (UK) Limited, each of them is restricted, for a period of six months after the termination of his employment with the Group, from competing with the Group and, for 12 months, from attempting to deal with or solicit any of the Group's customers or clients with whom he had dealings during the last 12 months of his employment, or attempting to entice away any senior employees of the Group. The agreements also permit the Company to require such Directors to remain away from work during any notice period and to comply with any conditions laid down by the Company, including the requirement for each such Director not to work for anyone else or be self-employed during any notice period without the Company's permission.

6.1.5 Peter Ogden, as a non-executive Director, has an appointment letter with the Company dated 23 April 1998, terminable by either party on 12 months' notice and will be paid a fee of £20,000 per annum. In addition, he will be paid an additional sum of £5,000 per annum for being a member of the audit committee and a further sum of £5,000 per annum for his role as a special adviser to the remuneration committee. Rod Richards and Adrian Beecroft, both non-executive Directors, do not have written service contracts or letters of appointment and will each be paid a fee of £20,000 per annum. In addition, each will be paid an additional sum of £5,000 per annum for each of their respective memberships of the remuneration committee and the audit committee.

6.1.6 Save as disclosed above, there are no existing or proposed service contracts between any Director and the Company or any of its subsidiaries.

6.2 The total aggregate of the remuneration paid and benefits in kind granted to the Directors, including Mike Norris and Tony Conophy, who were appointed as Directors after the year-end, by members of the Group during the year ended 31 December 1997 was £2,133,312 (including pension contributions).

6.3 The aggregate estimated amount payable to the Directors by members of the Group for the year ending 31 December 1998 is £950,000, under the arrangements in force at the date of this document. This figure comprises basic salary and benefits, including pension contributions, to the executive Directors and fees for non-executive Directors. Mike Norris and Tony Conophy may be paid a bonus for the year ending 31 December 1998 but the amount payable (if any) will not be known until after the year-end, and will not exceed £250,000 in aggregate. In addition, options have been granted to Mike Norris and Tony Conophy, as described under "Employees" in Part II.

7 Employee share schemes

7.1 Schemes

The Group has the following employee share schemes:

- the Computacenter Bonus Plus Scheme;
- the Computacenter Sharesave Scheme;
- the Computacenter Employee Share Option Scheme;
- the Computacenter Performance Related Share Option Scheme;
- the Computacenter Services Group plc Approved Executive Share Option Scheme and the Computacenter Services Group plc Unapproved Executive Share Option Scheme (together, the "Computacenter Services Group Executive Schemes");
- the Computacenter Limited Executive Share Option Scheme (the "Computacenter Executive Scheme");
- the Computacenter Limited Cash Bonus and Share Plan; and
- the Computacenter Limited Employee Share Ownership Plan.

The principal features of these schemes are summarised below.

The Computacenter Employee Share Option Scheme and Performance Related Share Option Scheme, which have been established in conjunction with the Global Offering, replace the Computacenter Services Group Executive Schemes and the Computacenter Limited Executive Scheme and no further options will be granted under these schemes. It is intended that the Employee Share Option Scheme will be used to grant options to employees, other than the most senior executives, who will be granted options under the Performance Related Share Option Scheme.

The Bonus Plus Scheme, the Sharesave Scheme and the Performance Related Share Option Scheme are being operated in connection with the Global Offering. Details are set out under "Employees" in Part II. The Employee Share Option Scheme is not being operated at this time.

Inland Revenue approval has been sought for the Bonus Plus Scheme, the Sharesave Scheme and the Employee Share Option Scheme.

7.2 Computacenter Bonus Plus Scheme

7.2 Eligibility

All employees and full-time executive directors of the Company and any subsidiaries designated by the Directors, who have worked for the Company or a participating subsidiary for a qualifying period determined by the Directors (not exceeding five years), and any other employees and executive directors nominated by the Directors are eligible to participate in the Bonus Plus Scheme.

7.2.2 Operation

When the scheme is operated, eligible employees will be invited to acquire Ordinary Shares at no cost. Invitations to join the scheme can normally only be made within 42 days following the announcement of the Company's results for any period.

7.2.3 Acquisition of shares by the trustee

The trustee of the scheme may subscribe for or purchase Ordinary Shares at any time. The subscription price of any Ordinary Share, where shares are not listed, will be the market value of a share as agreed in advance with the Inland Revenue and, where shares are listed, the middle market quotation of an Ordinary Share (as derived from the Official List of the London Stock Exchange) on the dealing day preceding subscription or, if the Directors so determine, the average middle market quotation over the preceding three dealing days or, if greater, the nominal value at the date of subscription. Any Ordinary Shares which are subscribed will rank equally with Ordinary Shares in issue on the date of subscription except in respect of rights arising by reference to a prior record date. Application will be made to the London Stock Exchange for the listing of Ordinary Shares issued under the scheme.

7.2.4 Rights of participants

While a participant's Ordinary Shares are held by the trustee of the scheme, the participant will be the beneficial owner of the Ordinary Shares and will be entitled to receive dividends and, through the trustee, to vote, participate in rights and capitalisation issues and elect to receive scrip dividends in substantially the same way as other shareholders.

7.2.5 Share transfers to participants

Ordinary Shares allocated to participants will normally be held by the trustee for a minimum period of two years. After that period, participants can request the transfer or sale of their Ordinary Shares, but subject to a UK income tax charge. After three years, Ordinary Shares will be released to participants, without any UK income tax charge. Ordinary Shares can be released from the scheme early in certain circumstances, such as death, reaching the age of 65 or leaving employment by reason of injury, disability or redundancy. However, the participant will generally be liable to UK income tax in these circumstances.

7.2.6 Individual limits

The maximum value of Ordinary Shares which can be allocated to any participant under the scheme in any tax year may not exceed the maximum amount permitted, from time to time, under the relevant legislation. This is currently the greater of £3,000 and 10 per cent. of salary, up to a maximum of £8,000.

7.2.7 Scheme limits

The number of new Ordinary Shares which may be issued under the scheme is subject to the following limits:

- in any 10 year period, not more than 10 per cent. of the issued ordinary share capital of the Company for the time being may, in aggregate, be issued or issuable under the scheme and any other employees' share scheme operated by the Company; and
- in any five year period, not more than 5 per cent. of the issued ordinary share capital of the Company for the time being may, in aggregate, be issued or issuable under the scheme and any other employees' share scheme adopted by the Company.

For the purposes of these limits, no account will be taken of any Ordinary Shares (i) where the right to the shares lapsed or was released or (ii) which were issued or placed under option prior to, or within 42 days after, Admission under the scheme or any other employees' share scheme operated by the Company.

7.2.8 Amendments

The rules of the scheme relating to eligibility, scheme and individual limits, the basis on which shares are allocated, rights attaching to shares and rights of participants in the event of a variation of capital may, generally, not be amended to the advantage of participants without shareholder approval. Otherwise, the Directors can, with the trustee's approval, amend the scheme. Amendments are subject to prior approval of the Inland Revenue if the scheme is to retain its approved status.

7.2.9 Termination

The Directors may, at any time, terminate the scheme. If this happens, no further Ordinary Shares will be allocated but the provisions of the scheme will continue in relation to shares already allocated.

7.2.10 Participation by French and German employees

Participants who are tax resident in France or Germany will not receive an allocation of Ordinary Shares in which they have an immediate interest, but rather will be granted a right, subject to the Directors' discretion, to receive Ordinary Shares from the trustee of the scheme at the end of a two year period or earlier, in the circumstances (such as death or redundancy) mentioned in paragraph 7.2.5 above. Participants granted such a right will not be entitled to dividends or other rights attaching to the Ordinary Shares until the shares are transferred to them. In other respects, the provisions relating to rights granted in this way are substantially similar to those which apply to allocations of Ordinary Shares to UK tax residents.

7.3 Computacenter Sharesave Scheme

7.3.1 Eligibility

All employees and full-time executive directors of the Company and any subsidiaries designated by the Directors, who have worked for the Company or a participating subsidiary for a qualifying period determined by the Directors (not exceeding five years), and any other employees and executive directors nominated by the Directors are eligible to participate in the Sharesave Scheme.

7.3.2 Operation

Eligible employees can normally only be invited to join the scheme within 42 days following the announcement of the Company's results for any period.

7.3.3 Savings contract

An employee joining the scheme must enter into a savings contract, with a designated savings carrier, under which he makes a monthly (or weekly) contribution for a period of three or five years or, if the Directors so determine, any other period permitted under the relevant legislation. The contributions must not exceed such limit as is fixed by the Directors, within the ceiling imposed by the relevant legislation (currently £250 per month). A tax-free bonus, equivalent to three monthly contributions, is currently payable at the end of a three year savings contract and a tax-free bonus equivalent to nine monthly contributions, at the end of a five year savings contract. At the end of a five year savings contract, an optionholder may elect to leave his accumulated savings in the savings scheme for a further two years and then receive an enhanced tax-free bonus, equivalent to 18 monthly contributions. In this case, he cannot exercise his option.

7.3.4 Grant of options

In connection with the savings contract, an employee is granted an option over such number of Ordinary Shares as he will be able to acquire, at the option price, with the expected repayment under his savings contract. The option price will be not less than 80 per cent. of the market value of an Ordinary Share on the date of invitation (or some other date agreed with the Inland Revenue) or, where shares are to be subscribed, the nominal value of an Ordinary Share (if greater). Market value means, where Ordinary Shares are not listed, the market value of a share as agreed in advance with the Inland Revenue and, where shares are listed, the middle market quotation of an Ordinary Share (as derived from the Official List of the London Stock Exchange) on the preceding dealing day or, if the Directors so determine, the average middle market quotation over the preceding three dealing days (or any other value agreed with the Inland Revenue).

7.3.5 Exercise of options

Options are normally exercisable for a six month period following the bonus date under the relevant savings contract, provided the optionholder remains an employee or director of the Group. If the option is not exercised within the six month period, it will lapse. Options may, however, be exercised early in certain circumstances, for example, if an optionholder ceases to be an employee due to injury, disability, redundancy, retirement or a change in control of his employing company or business and, unless the Directors decide otherwise, in the event of a takeover or winding-up of the Company. If an option is exercised early in one of these circumstances, the optionholder may only use the savings made under his savings contract at that time to exercise the option. Options are not transferable and may only be exercised by the persons to whom they are granted.

7.3.6 Issue of shares

Ordinary Shares issued on the exercise of options will rank equally with shares in issue at that time, except in respect of rights arising by reference to a prior record date. Application will be made to the London Stock Exchange for the listing of Ordinary Shares issued under the scheme.

7.3.7 Exchange of options

In the event of a change in control of the Company in certain circumstances, optionholders may exchange their options for options over shares in the acquiring company.

7.3.8 Variation in share capital

Options may be adjusted following certain variations in the share capital of the Company, including a capitalisation or rights issue, sub-division or consolidation of share capital or, if the scheme is no longer to be approved by the Inland Revenue, following a demerger or other distribution in specie.

7.3.9 Scheme limits

The number of new Ordinary Shares which may be issued under the scheme is subject to the limits (and exclusions) set out in paragraph 7.2.7.

7.3.10 Amendments

The rules of the scheme relating to eligibility, scheme limits, maximum monthly contribution, the option price, rights attaching to options and shares and rights of optionholders in the event of a variation of capital may, generally, not be amended to the advantage of optionholders without shareholder approval. Otherwise, the Directors can amend the scheme. Amendments are subject to the prior approval of the Inland Revenue if the scheme is to retain its approved status.

7.3.11 Termination

The Directors may, at any time, terminate the scheme. If this happens, no further options will be granted but the provisions of the scheme will continue in relation to options already granted. No options may be granted after the tenth anniversary of the adoption of the scheme rules.

7.3.12 Participation by French employees

In order to take account of differences in French law, options may be granted to French employees under a schedule to the scheme, which will not be approved by the Inland Revenue. The terms of these options will be the same as those of other options except in the following respects:

- the Directors must adjust options, in the event of a variation in share capital, in such a way as to ensure that optionholders are not prejudiced by the variation. The schedule describes how this must be done and requires the adjustments to be made both to unexercised options and options which have been exercised, but in respect of which shares have not been transferred to the optionholder;
- options are exercisable for six months following the death of the optionholder;
- options may not be granted within 20 days of a record date for a dividend or an increase in share capital;
- the option price, in addition to the minimum described in paragraph 7.3.4 above, must not be less than 80 per cent. of the average market quotation of a share over the 20 days prior to grant; and
- all optionholders must consent to any change to the schedule which would abrogate or adversely affect their subsisting rights under the scheme.

7.4 Computacenter Employee Share Option Scheme

7.4.1 Eligibility

All employees and full-time executive directors of the Company and any subsidiaries designated by the Directors, who are not within two years of their normal retirement date, are eligible to participate in the Employee Share Option Scheme.

7.4.2 Grant of options

The Directors may grant options to acquire Ordinary Shares under the scheme to any eligible employee. Options can normally only be granted within 42 days following the announcement of the Company's results for any period. Options granted under the Inland Revenue approved part of the scheme are eligible for favourable tax treatment. Options may also be granted under an unapproved schedule to the scheme rules and these will not be eligible for favourable tax treatment. Options may be granted subject to a performance condition.

Options will be granted with an option price which is not less than the market value of an Ordinary Share on the date of grant (or some other date agreed with the Inland Revenue) or, where shares are to be subscribed, their nominal value (if greater). Market value means, where Ordinary Shares are not listed, the market value of a share as agreed in advance with the Inland Revenue and, where shares are listed, the middle market quotation of an Ordinary Share (derived from the Official List of the London Stock Exchange) on the dealing day before the date of grant or, if the Directors so determine, the average middle market quotation over the preceding three dealing days (or any other value agreed with the Inland Revenue).

7.4.3 Exercise of options

Options are normally exercisable, subject to the satisfaction of any performance condition, following the third anniversary of grant, provided the optionholder remains an employee or director of the Group. Options which have not been exercised will normally lapse on the tenth anniversary of grant. Options may, however, be exercised early in certain circumstances (even if any performance condition has not been satisfied), for example, if an optionholder ceases to be an employee due to injury, disability, redundancy, retirement or a change in control of his employing company or business and, unless the Directors decide otherwise, in the event of a takeover or winding-up of the Company. The Directors may also allow options to be exercised in whole or in part in the event of a demerger, dividend in specie, super-dividend or any other transaction which the Directors believe would affect the value of options. Options are not transferable and may only be exercised by the persons to whom they are granted.

7.4.4 Issue of shares

Ordinary Shares issued on the exercise of options will rank equally with shares in issue at that time, except in respect of rights arising by reference to a prior record date. Application will be made to the London Stock Exchange for the listing of Ordinary Shares issued under the scheme.

7.4.5 Substitution of options

In the event of a change in control of the Company in certain circumstances, the Directors may determine that options will be substituted for options over shares in the acquiring company.

7.4.6 Variation in share capital

Options may be adjusted following certain variations in the share capital of the Company, including a capitalisation or rights issue, sub-division or consolidation of share capital and, in the case of options granted under the unapproved schedule, a distribution in specie.

7.4.7 Scheme limits

The number of new Ordinary Shares which may be issued under the scheme is subject to the following limits:

- in any 10 year period, not more than 10 per cent. of the issued ordinary share capital of the Company for the time being may, in aggregate, be issued or issuable under the scheme and any other employees' share scheme operated by the Company;
- in any 10 year period, not more than 5 per cent. of the issued ordinary share capital of the Company for the time being may, in aggregate, be issued or issuable under the scheme and any other executive share option scheme adopted by the Company;
- during the four years following adoption of the scheme, not more than 2.5 per cent. of the issued ordinary share capital of the Company for the time being may, in aggregate, be issued or issuable under the scheme and any other executive share option scheme adopted by the Company; and
- in any five year period, not more than 5 per cent. of the issued ordinary share capital of the Company for the time being may, in aggregate, be issued or issuable under the scheme and any other employees' share scheme adopted by the Company, provided that, in any three year period, not more than 3 per cent. of the issued ordinary share capital of the Company for the time being may, in aggregate, be issued or issuable under the scheme and any other executive share option scheme adopted by the Company. If this limit is not complied with, then the limit is that, in any three year period, not more than 3 per cent. of the issued ordinary share capital of the Company for the time being may, in aggregate, be issued or issuable under the scheme and any other employees' share scheme adopted by the Company.

For the purpose of these limits, no account will be taken of any Ordinary Shares (i) where the right to the shares lapsed or was released or (ii) which were issued or placed under option prior to, or within 42 days after, Admission under the scheme or any other employees' share scheme operated by the Company.

7.4.8 Individual limits

An employee's participation in the scheme will be limited so that, at any one time, the aggregate market value of Ordinary Shares subject to options granted to him under Inland Revenue approved executive share option schemes established by the Company (or any associated company) does not exceed £30,000.

An employee's participation is further limited so that the aggregate price payable on the exercise of all options to subscribe granted to him under the scheme (including the unapproved schedule) and any other executive share option scheme operated by the Company in any 10 year period (but, at the discretion of the Directors, excluding options which have been exercised, if there has been a sustained improvement in the Company's performance over the preceding two to three years) will not exceed four times his total remuneration. For the purposes of this limit, no account will be taken of any option which has lapsed or been released or which was granted prior to, or within 42 days after, Admission.

7.4.9 Amendments

The rules of the scheme relating to eligibility, scheme and individual limits, the option price, rights attaching to options and shares and rights of optionholders in the event of a variation of capital may, generally, not be amended to the advantage of optionholders without shareholder approval. Otherwise, the Directors can amend the scheme. Amendments to the scheme (other than the unapproved schedule) are subject to the prior approval of the Inland Revenue if it is to retain its approved status.

7.4.10 Termination

The Directors may, at any time, terminate the scheme. If this happens, no further options will be granted but the provisions of the scheme will continue in relation to options already granted. No options may be granted after the tenth anniversary of the adoption of the scheme rules.

7.5 Computacenter Performance Related Share Option Scheme

Under the Computacenter Performance Related Share Option Scheme, options can be granted on very similar terms to options granted under the unapproved schedule to the Computacenter Employee Share Option Scheme. It is intended that the Performance Related Share Option Scheme will be used to grant options to the most senior executives. These options will be subject to certain performance conditions, designed to produce significant and sustained improvements in the Company's underlying financial performance.

7.6 Computacenter Services Group Executive Schemes and Computacenter Limited Executive Scheme

The Computacenter Services Group Executive Schemes and the Computacenter Limited Executive Schemes have been replaced by the Computacenter Employee Share Option Scheme and the Performance Related Share Option Scheme and no further options will be granted under these schemes.

The terms of the Computacenter Services Group Executive Schemes and the Computacenter Limited Executive Scheme relating to the exercise and exchange of options, the issue of shares, variations in share capital, amendment and termination are substantially the same as the terms of the Computacenter Employee Share Option Scheme, except in the following respects:

- on a takeover of the Company, options will always become exercisable. There is no provision for the substitution of options in the event of a takeover under the unapproved schemes; and
- the Directors have discretion under the unapproved schemes to allow options to be exercised at any time.

7.7 Outstanding options

As at 20 May 1998, the latest practicable date prior to publication of this document, the outstanding options granted under the Group's share option schemes were as follows:

Scheme	Date of grant	Number of shares subject to option	Option price (pence)
Computacenter Limited Executive Share Option Scheme:	14 December 1988	310,284	14.0
	21 April 1989	560,172	14.0
	17 April 1990	1,654,932	25.0
	10 May 1991	1,063,432	25.0
	24 April 1992	993,828	25.0
	1 June 1993	2,490,000	28.8
	20 July 1994	2,500,000	32.5
Computacenter Services Group plc Approved Executive Share Option Scheme:	9 April 1996	6,374,000	41.3
	31 July 1997	1,015,875	160.0
	16 March 1998	864,432	300.0
Computacenter Services Group plc Unapproved Executive Share Option Scheme:	9 April 1996	4,839,928	25.0
	31 July 1997	1,435,625	160.0
	16 March 1998	241,368	300.0
Computacenter Performance Related Share Option Scheme[1]:	20 May 1998	81,967	610.0

(1) These options granted under the Performance Related Share Option Scheme will lapse if Admission does not become effective by 30 September 1998. They comprise options granted to Mike Norris: 49,180 Ordinary Shares and Tony Conophy: 32,787 Ordinary Shares.

The above options have a duration of ten years from the date of grant, with the exception of options granted under the Performance Related Share Option Scheme, which have a duration of five years. All the options were granted for no consideration.

The options granted under the Computacenter (UK) Executive Schemes were initially granted over shares in Computacenter (UK) Limited. These were exchanged for options over an equivalent number of Ordinary Shares when the Company acquired Computacenter (UK) Limited.

7.8 Computacenter Limited Cash Bonus and Share Plan

7.8.1 Eligibility

All employees, executive directors and former employees and executive directors of any Group company are eligible to participate in the Computacenter Limited Cash Bonus and Share Plan.

7.8.2 Invitations

The Directors, or a committee of the Directors, may, at any time, select and invite eligible employees to participate in the plan. The invitation will specify the performance period and performance condition for that operation of the plan and the method for calculating the bonus pool after the performance period. Employees who accept an invitation will be entitled to be considered for an award.

7.8.3 Awards

At the end of the performance period (which may be extended if the performance condition is not initially met), the Directors will review the extent to which the performance condition has been satisfied. They may then make awards to participants who remain in employment. Participants who leave employment before the end of the performance period will not generally be eligible to receive awards, unless the Directors decide otherwise.

Where awards are to be made, the Directors will establish the bonus pool, which will be used to provide awards in the form of shares and cash, as the Directors decide. They will also decide the proportion of the bonus pool which each participant will receive. These decisions will generally be made in accordance with the terms of the invitation, unless the Directors decide otherwise.

Any awards in the form of cash will be paid to the participant immediately. Where an award is in the form of shares, the appropriate number of shares will be allocated to the participant by the trustee of the Computacenter Employee Share Ownership Plan. The participant will agree to allow the trustee to hold these shares for him until a date specified in the invitation, on which the shares may be released to him. The shares may be released early if the participant dies, or ceases to be employed by reason of injury, disability or ill-health or because of a takeover, a sale of his employing company or business, or winding-up of the Company or other reconstruction.

7.8.4 Rights in relation to awards

Until shares are transferred to a participant, he will receive any dividends on shares which are the subject of an award and may direct the trustee as to how to vote and whether or not to take up any rights or bonus issues. Any new shares received as a result of a bonus, rights or capitalisation issue will be held on the same terms as the original shares. The participant's interest in the shares cannot be transferred.

7.8.5 Amendments and termination

The Directors may amend the plan or the terms of any invitation and may terminate the plan at any time. Any amendment which would adversely affect subsisting rights of participants requires their consent.

7.9 Employee trusts

Computacenter has a discretionary trust, the Computacenter Employee Share Ownership Plan, for the benefit of employees and former employees of the Group and their dependants. It is also intended to establish a qualifying employee share trust which may satisfy the exercise of options granted under the Computacenter Sharesave Scheme.

8 Pensions

Computacenter has four schemes providing pension benefits, the first three of which no longer receive contributions: the Computacenter Limited Pension Investment Plan; the Computacenter Limited Retirement Benefit Scheme; the Computacenter Limited Retirement Benefit Scheme No. 2; and the Computacenter Pension Scheme. All four schemes are defined contribution schemes (although there are contracted-out benefits within the Computacenter Limited Retirement Benefit Scheme which are salary-related).

The Computacenter Pension Scheme is the only scheme to which contributions are still being made. The Scheme is divided into two arrangements, Plan A and Plan B. Plan A is a contracted-in occupational pension scheme and Plan B is a group personal pension arrangement which gives individuals the opportunity to contract-out, if they so wish. The Scheme is invested by Scottish Equitable. Computacenter Limited match members' contributions, up to a maximum of 5 per cent. of a member's basic salary (basic salary is capped at £50,000 per annum for these purposes). Whether or not a member contributes, Computacenter will always contribute a minimum of 5 per cent. of the first £15,000 of the member's basic salary. A loyalty bonus is available after five years' membership and this is paid by Scottish Equitable.

As at 31 December 1997, there were 1,333 members in Plan A and 221 members in Plan B. Plan A's assets amounted to about £6.9 million.

There is also a Group Life Scheme, called the Computacenter Limited Group Death in Service Scheme, providing three times Basic Salary life cover for all Computacenter employees.

9 Underwriting arrangements

9.1 On 21 May 1998 the Company, the Selling Shareholders, certain of the Directors and the Underwriters entered into the Underwriting Agreement. Pursuant to this Agreement, inter alia:

(i) the Company and the Selling Shareholders agreed, subject to certain conditions, to issue or sell, as the case may be, the Ordinary Shares to be issued or sold in the Global Offering at the Offer Price;

(ii) the Underwriters agreed, subject to certain conditions, to procure subscribers and/or purchasers for, or to subscribe and/or purchase themselves, the Ordinary Shares to be issued or sold in the Global Offering at the Offer Price;

(iii) the Company and certain of the Selling Shareholders have granted to the Underwriters the Over-Allotment Options, exercisable upon notice by the Global Co-ordinator for 30 days after the announcement of the Offer Price, to subscribe or procure subscribers for up to 744,845 additional new Ordinary Shares at the Offer Price and up to an aggregate of 3,685,557 additional existing Ordinary Shares at the Offer Price. The number of Ordinary Shares subject to the Over-Allotment Options may vary but will be determined on the date falling 30 days after the announcement of the Offer Price, or such earlier date as Goldman Sachs International may determine. Goldman Sachs International does not intend to disclose the extent of any over-allotments made and/or any stabilisation transactions;

(iv) the Company will pay to Goldman Sachs International for the account of the Underwriters a commission equal to 4 per cent. of the Offer Price multiplied by the number of Ordinary Shares issued by the Company in the Global Offering. All commissions will be paid together with any value added tax chargeable thereon;

(v) the obligations of the Underwriters to procure subscribers for and/or purchasers, or themselves subscribe for or purchase, Ordinary Shares are subject to certain conditions including, amongst others, that Admission occurs not later than 5 June 1998 or such later time and/or date as may be agreed; and Goldman Sachs International has the right to terminate the Underwriting Agreement in certain circumstances exercisable prior to Admission;

(vi) the Company has agreed to pay any stamp duty and/or stamp duty reserve tax arising on the issue of Ordinary Shares under the Global Offering insofar as this charge does not exceed 0.5 per cent. of the Offer Price; the Selling Shareholders have agreed to pay any stamp duty and/or stamp duty reserve tax arising in relation to the initial sale of Ordinary Shares under the Global Offering insofar as this charge does not exceed 0.5 per cent. of the Offer Price;

(vii) the Company has agreed to pay (together with any related value added tax) the costs, charges, fees and expenses of the Global Offering and Admission as set out in the Underwriting Agreement;

(viii) the Company, the Selling Shareholders and certain of the other Directors have given certain representations, warranties and undertakings to the Underwriters; and the Company and the Selling Shareholders have given certain indemnities to the Underwriters;

(ix) the Selling Shareholders have agreed for a period of six months (or 12 months in the case of the Directors (and their related parties) and the senior management) after Admission, inter alia, not to offer, lend, sell or contract to sell, issue options in respect of or otherwise dispose of, any Ordinary Shares (or interest therein), or agree to do, any of the foregoing other than pursuant to the Global Offering or certain other exemptions without the prior written consent of Goldman Sachs International;

(x) the Company has agreed, inter alia, not to offer, issue, sell or contract to sell, issue options in respect of or otherwise dispose of, directly or indirectly, Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or agree to do, any of the foregoing other than pursuant to the Global Offering or pursuant to employee stock option plans existing on the date of the Underwriting Agreement, for a period of 12 months after Admission, without the prior written consent of Goldman Sachs International; and

(xi) the Underwriters are (a) Goldman Sachs International of Peterborough Court, 133 Fleet Street, London EC4A 2BB; (b) BT Alex. Brown International, division of Bankers Trust International PLC of 135 Bishopsgate, London EC2M 3UR; (c) Credit Suisse First Boston (Europe) Limited of One Cabot Square, London E14 4QJ; (d) HSBC Investment Bank Plc of Thames Exchange, 10 Queen Street Place, London EC4R 1BL; and (e) Merrill Lynch International of 3rd Floor, 20 Farringdon Road, London EC1M 3NH.

9.2 Pursuant to a sponsor's agreement entered into between the Company and Goldman Sachs International on 5 May 1998 (the "Sponsor's Agreement"), the Company gave certain warranties and indemnities to Goldman Sachs International in relation to the Global Offering and certain associated matters (in particular, concerning the accuracy of the pathfinder listing particulars).

10 Selling restrictions

10.1 Each Underwriter has acknowledged, represented and warranted in the Underwriting Agreement that the Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the Securities Act.

10.2 The Ordinary Shares are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. The Underwriting Agreement provides that Goldman Sachs International may through its US broker-dealer affiliate arrange for the offer and resale of Ordinary Shares in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

10.3 In addition, until 40 days after the commencement of the Global Offering, an offer or sale of Ordinary Shares within the United States by a dealer that is not participating in the Global Offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act.

10.4 In connection with the Global Offering, the Underwriters may purchase and sell the Ordinary Shares in the open market. These transactions may include over-allotment and stabilising transactions and purchases to cover short positions created in connection with the Global Offering. Stabilising transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Ordinary Shares; and short positions involve the sale of a greater number of Ordinary Shares than are purchased from the Company or the Selling Shareholders in the Global Offering. These activities may stabilise, maintain or otherwise affect the market price of the Ordinary Shares, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected on the London Stock Exchange, LIFFE, the over-the-counter market or otherwise.

10.5 No action has been taken by the Company or the Underwriters that would permit, otherwise than under the Global Offering, an offer of Ordinary Shares or possession or distribution of this document or any other offering material or application form relating to Ordinary Shares in any jurisdiction where action for that purpose is required, other than in the United Kingdom.

10.6 Each Underwriter has acknowledged, represented and warranted in the Underwriting Agreement that:

(i) it has not offered or sold and will not offer or sell any Ordinary Shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the Financial Services Act 1986;

(ii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the sale of the Ordinary Shares, other than any document which consists of any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Financial Services Act 1986, to a person who is of the kind described in Article 11(3) of the

Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on; and

(iii) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to any Ordinary Shares in, from or otherwise involving the United Kingdom.

10.7 Each Underwriter has acknowledged, represented and warranted in the Underwriting Agreement that the Ordinary Shares have not been and will not be registered under the Securities and Exchange Law of Japan. It represents, warrants and undertakes that it has not offered or sold and will not offer or sell any Ordinary Shares, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (including Japanese corporations) except in compliance with any applicable laws and regulations in Japan including the Securities and Exchange Law of Japan.

11 Material contracts

Save for the Underwriting Agreement and the Sponsor's Agreement referred to under "Underwriting arrangements" above, no member of the Group has entered into any material contract, other than in the ordinary course of business, within the two years immediately preceding the date of this document.

12 The Company's bonds

In October 1995, a Group reorganisation took place to give shareholders in Computacenter (UK) Limited the opportunity to sell their holdings of shares in Computacenter Limited in part for a cash payment (pursuant to a partial cash alternative and an additional cash election) and in part for shares in Computacenter plc, which was incorporated on 2 October 1995 for the purpose of the reorganisation (the "Group Reorganisation"). Computacenter issued £50,000,000 10 per cent. Bonds due 2002 on 24 November 1995 and listed them on the Luxembourg Stock Exchange, to fund the cash element of the Group Reorganisation. Following the Group Reorganisation, Computacenter (UK) Limited became a 100 per cent. wholly-owned subsidiary of Computacenter. Apart from the introduction of the new holding company, the issue of the Bonds and certain shareholders electing for the partial cash alternative and the additional share election, the Computacenter Group was the same Group as it was prior to the Group Reorganisation and remained under the same management.

On 24 November 1995 the Company entered into a trust deed (the "Trust Deed") with Prudential Trustee Company Limited (the "Trustee") constituting and securing the Bonds. Pursuant to the Trust Deed the Company gave the covenants and undertakings referred to below.

If Peter Ogden and Philip Hulme (together with certain related parties) cease to own in aggregate at least 25 per cent. of the issued ordinary share capital of the Company, the holders of the Bonds will have the right to require the Company to redeem the Bonds at 101 per cent. of their principal amount plus interest accrued to the date of such redemption. This right will not arise as a result of the Global Offering (see under "Directors' and other interests" above) but may arise subsequently. The Company may, at any at any time, redeem the Bonds in whole or in part at the greater of par and an amount calculated in accordance with a "Spens Formula". However, the Company has no present intention to redeem the Bonds.

12.1 Security

All amounts payable by the Company in respect of the Bonds and the interest coupons appertaining to the Bonds in bearer form (the "Coupons") and under or pursuant to the Trust Deed (the "Secured Obligations") are secured by a first legal mortgage by the Company in favour of the Trustee over 68,002,203 'A' ordinary shares of US$0.01 each in the capital of Computacenter (UK) Limited beneficially owned by the Company on 24 November 1994 (the "Closing Date").

The Company has covenanted in the Trust Deed that as additional security for the Secured Obligations all shares, if any, in the capital of Computacenter (UK) Limited issued to the Company or to the Trustee as mortgagee of shares in the capital of the Computacenter (UK) Limited, in each case after the Closing Date, will also promptly be so mortgaged by the Company to the satisfaction of the Trustee.

12.2 Other Covenants

The Company has given to the Trustee in the Trust Deed covenants to the following effect, such covenants applying for so long as any of the Bonds remains outstanding:

12.2.1 Negative pledge

The Company will not create or permit to subsist any mortgage, charge, lien, pledge, encumbrance or other security interest (each a "Charge") upon, or in respect of, any of the share capital of Computacenter (UK) Limited in which it has any interest (except for any Charge securing the Secured Obligations).

12.2.2 Limitation on incurrence of additional Indebtedness

The Company will not, and will not permit any of its Subsidiaries to, create, incur, assume, guarantee, acquire, become liable, contingently or otherwise, with respect to or otherwise become responsible for payment of (collectively, "incur"), directly or indirectly, any Indebtedness (other than Permitted Indebtedness); provided, however, that if no Potential Event of Default or Event of Default shall have occurred and be continuing at the time, or would occur as a consequence, of the incurrence of any such Indebtedness, the Company may, or may permit any of its Subsidiaries to, incur Indebtedness if, on the date of the incurrence of such Indebtedness, after giving effect to the incurrence thereof, the Consolidated Cash Flow Coverage Ratio is equal to or greater than 3.5 to 1.0.

12.2.3 Limitation on Restricted Payments

The Company will not, and will not permit any of its Subsidiaries to, declare or make, or otherwise take any action which constitutes, directly or indirectly, any Restricted Payment, unless, both at the time of such Restricted Payment and immediately after giving effect thereto (i) no Potential Event of Default or Event of Default (as defined in 12.3 below) shall have occurred and be continuing or would thereupon occur respectively, and (ii) the Company is able to incur at least £1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with the covenant described in 12.2.2 above; and (iii) the aggregate amount of Restricted Payments made subsequent to the Closing Date shall not be equal to or exceed the sum of: (y) 50 per cent. of the Adjusted Consolidated Net Income (or if the Adjusted Consolidated Net Income shall be a loss, minus 100 per cent. of such loss) for the period from and including the Closing Date to and including the last day of the most recently ended six month financial period of the Company for which consolidated accounts are available (the "Reference Date") such period as a single accounting period); plus (z) 100 per cent. of the aggregate Net Cash Proceeds received by the Company from any Person (other than a Subsidiary of the Company) from the issue subsequent to the Closing Date and on or prior to the Reference Date of any irredeemable share capital of the Company or any share capital not redeemable in any circumstances earlier than 24 December 2002.

12.2.4 Limitation on Asset Sales

The Company will not, and will not permit any of its Subsidiaries to, make an Asset Sale unless (i) both at the time of such Asset Sale and immediately after the completion thereof no Potential Event of Default or Event of Default shall have occurred and be continuing or would thereupon occur respectively, and (ii) the Company or the relevant Subsidiary, as the case may be, receives consideration at the time of completion of such Asset Sale at least equal to the full fair market value of the assets comprised therein (as determined in good faith by the Directors of the Company), and (iii) at least 85 per cent. of the consideration received by the Company or the relevant Subsidiary, as the case may be, from such Asset Sale shall be cash or Cash Equivalents and shall be received at the time of such completion; and (iv) upon the completion of an Asset Sale, the Company shall apply, or cause such relevant Subsidiary to apply, the Net Cash Proceeds relating to such Asset Sale within 180 days of receipt thereof either (A) subject to compliance with the covenant described in 12.2.3 above, in prepayment of any Indebtedness of the Company or any of its Subsidiaries and, in the case of any such Indebtedness under any revolving credit facility, in effecting a permanent reduction in the availability under such revolving credit facility, (B) in reinvestment in Productive Assets, or (C) in a combination of prepayment and reinvestment permitted by the foregoing sub-paragraphs (A) and (B).

12.2.5 Limitation on dividend and other payment restrictions affecting Subsidiaries of the Company

The Company will not, and will not permit any of its Subsidiaries to, create or otherwise cause or permit to exist or become effective, directly or indirectly, any encumbrance or restriction on the ability of any such Subsidiary to (a) pay dividends or make any other distributions on or in respect of its share capital; or (b) make loans or advances to, or to pay any Indebtedness or other obligation owed to, the Company or any other Subsidiary of the Company; or (c) transfer any of its property or assets to the Company or any other Subsidiary of the Company, except for such encumbrances or restrictions existing under or by reason of: (1) mandatory provisions of applicable law, (2) the Trust Deed, (3) usual non-assignment provisions of any contract or any lease, (4) agreements existing on the Closing Date and relating to Existing Indebtedness, (5) usual provisions of any instrument governing secured Indebtedness otherwise permitted to be incurred under the Trust Deed and incurred in connection with the acquisition of the assets securing such Indebtedness, which provisions limit the right of the debtor thereunder to dispose of the assets securing such Indebtedness, or (6) an agreement effecting a refinancing, replacement or substitution of Indebtedness issued, assumed or incurred pursuant to an agreement referred to in 12.2.3 or 12.2.4 above or any other agreement evidencing Indebtedness permitted under the Trust Deed; *provided, however,* that the provisions relating to such encumbrance or restriction contained in any such refinancing, replacement or substitution agreement or any such other agreement are not less favourable to the Company in any material respect as determined in good faith by the Directors of the Company than the provisions relating to such encumbrance or restriction contained in agreements referred to in 12.2.3 or 12.2.4.

12.2.6 Merger, consolidation and sale of assets

The Company will not, whether in a single transaction or a series of related transactions, consolidate with or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, another person unless (i) either (A) the Company shall be the survivor of such merger or consolidation or (B) the surviving person shall be a company organised and existing under the laws of England and Wales and shall expressly assume both (y) all the assets of the Company and (z) all the Secured Obligations; and (ii) both at the time of such transaction or series of related transactions and immediately after the implementation thereof no Potential Event of Default or Event of Default shall have occurred and be continuing or would thereupon occur respectively; and (iii) immediately after the implementation of such transaction or series of related transactions (on a pro forma basis, including any Indebtedness incurred or anticipated to be incurred in connection with such transaction or transactions), the Company or the surviving person is able to incur at least £1.00 of additional Indebtedness (other than Permitted Indebtedness) in compliance with the covenant described above; and (iv) immediately after the implementation of such transaction or series of related transactions the Company or the surviving person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to the implementation of such transaction or series of related transactions; and (v) the Company has delivered to the Trustee a certificate signed by two of its Directors stating that such consolidation, merger or disposal complies with the Trust Deed, that the surviving person agrees to be bound thereby and that all conditions precedent in the Trust Deed relating thereto have been satisfied.

12.2.7 Limitation on transactions with Affiliates

The Company will not, and will not permit any of its Subsidiaries to, enter into or permit to exist, directly or indirectly, any Affiliate Transaction, other than any one or more of (x) Affiliate Transactions permitted under the next following paragraph below; (y) Affiliate Transactions entered into on a commercial basis, as evidenced by a statement to such effect in relation to the relevant transaction in the audited consolidated accounts of the Company or the relevant Subsidiary, as the case may be, for the 12 month financial period during which the relevant transaction was completed; and (z) Affiliate Transactions entered into by the Company or any of its Subsidiaries in any year at the end of which a certificate signed by two Directors of the Company is provided to the Trustee to the effect that all such Affiliate Transactions entered into by the Company or any such Subsidiary, as the case may be, were either in the best interests of the Company or such Subsidiary or on an arm's length basis and setting out details of with whom Affiliate Transactions had been entered into during such year. In respect of any year in which no such Affiliate Transactions take place, a certificate to that effect signed by two Directors of the Company shall be provided to the Trustee, all as more particularly described in the Trust Deed.

The foregoing restrictions shall not apply to (i) reasonable fees and compensation paid to, and indemnities provided on behalf of, officers, directors, employees or consultants of the Company or any of its Subsidiaries as determined in good faith by the Directors of the Company; (ii) any agreement in effect on the Closing Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) in any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Bondholders in any material respect than the original agreement as in effect on the Closing Date; or (iii) Restricted Payments permitted by the Trust Deed.

12.2.8 Limitation on issue and sales of share capital of Subsidiaries of the Company

The Company:

(i) will not permit Computacenter (UK) Limited to issue any share capital to any person other than the Company or the Trustee as mortgagee of shares in the capital of Computacenter (UK) Limited (any such issue to be on terms that such share capital shall be forthwith mortgaged by the Company to the satisfaction of the Trustee to secure the Secured Obligations) except pursuant to share options over shares in the capital of Computacenter (UK) Limited where such options are in existence on the Closing Date;

(ii) will not permit any of its other Subsidiaries (other than Computacenter France SA) to issue any share capital to any person other than the Company, Computacenter (UK) Limited or any wholly-owned Subsidiary of the Company or Computacenter (UK) Limited; and

(iii) will not, and will not permit any of its Subsidiaries to, sell, transfer or otherwise dispose of any share capital of any of its Subsidiaries (other than Computacenter France SA) to any person (other than to the Company, Computacenter (UK) Limited or any wholly-owned Subsidiary of the Company or Computacenter (UK) Limited) unless, at the time of such sale, transfer or other disposition, all the share capital of such Subsidiary then owned by the Company and its Subsidiaries is so sold, transferred or otherwise disposed of in compliance with the covenant described above and, in any event without prejudice to the generality of the foregoing, will not permit Computacenter (UK) Limited to exercise its authority under its Articles of Association to appoint a person to execute on behalf of the holders of the Deferred Shares (as therein defined) a transfer thereof except to transfer the Deferred Shares to the Company or to another person previously approved in writing by the Trustee but, upon the security constituted by or pursuant to the Trust Deed becoming enforceable, shall procure that Computacenter (UK) Limited shall exercise such rights in accordance with the directions of the Trustee.

12.2.9 Provision of information

The Company will:

(i) procure that Computacenter (UK) Limited publishes, within one week of the completion of its consolidated annual and unaudited consolidated interim financial statements, a notice to Bondholders in accordance with the Conditions of the Bonds (i) setting out the consolidated turnover, operating income and net earnings of Computacenter (UK) Limited as set out in such statements and (ii) confirming that such statements are available for collection by Bondholders from the specified offices of the Paying Agents and the Registrar; and

(ii) hold a meeting at least once in every calendar year, commencing in 1996, of which Bondholders are duly notified in accordance with the Conditions of the Bonds and to which they are invited, at which senior management of Computacenter (UK) Limited will be present to respond to questions from Bondholders.

12.3 Events of Default

Under the Trust Deed, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall, give notice to the Company that the Bonds are, and they shall accordingly thereby forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, if an Event of Default or a Potential Event of Default shall occur and be continuing.

12.3.1 An "Event of Default" means any of the conditions, events or acts described in the terms and conditions of the Bonds, which are detailed below:

(i) if default is made in the payment of any principal, premium (if any) or interest due in respect of the Bonds or any of them and such default continues for a period of 5 days in the case of principal or premium (if any) or 10 days in the case of interest; or

(ii) if the Company fails to perform or observe any of its other obligations under the conditions or the Trust Deed and (except in either case where the Trustee considers such failure to be incapable of remedy when no such notice or continuation as is hereinafter mentioned will be required) such failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring the same to be remedied; or

(iii) if any Indebtedness (other than a debt owed to a trade creditor) of the Company or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described) or the Company or any Material Subsidiary fails to make any payment in respect thereof on the due date for such payment as extended by any applicable grace period as originally provided or the security for any such Indebtedness becomes enforceable or if any legal proceedings are instituted for the recovery of any debt owed to trade creditors by the Company or any Material Subsidiary provided that no such event shall constitute an Event of Default unless the Indebtedness, debt or other liability either alone or when aggregated with other Indebtedness and/or debts and/or other liabilities relative to all (if any) other such events which shall have occurred and shall remain outstanding shall amount to at least £2,500,000 (or its equivalent in any other currency); or

(iv) if the Company or any Material Subsidiary is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as that section may be amended by order under section 416 or otherwise), or the Company or any Material Subsidiary becomes unable to pay its debts as they fall due or a court determines that the value of the Company's or any Material Subsidiary's assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities), or the Company or any Material Subsidiary otherwise becomes insolvent; or

(v) if the Company or any Material Subsidiary suspends making payments (whether of principal or interest) with respect to all or a material part of its debts or announces an intention to do so, save for the purposes of reorganisation on terms approved in writing by the Trustee or in compliance with the covenant described in 12.2.6 above; or

(vi) if the Company or any Material Subsidiary shall cease or threaten to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Trustee or in compliance with the covenant described in 12.2.6 above; or

(vii) if an application for an administration order in relation to the Company or any Material Subsidiary is presented to the court by the Company or any Material Subsidiary or if an administration order is made in relation to the Company or a Material Subsidiary; or

(viii) if any proposal is made (under any enactment or otherwise) in respect of any kind of composition, scheme of arrangement, compromise or arrangement involving the Company or any Material Subsidiary and their respective creditors generally (or any class of them) save for the purposes of reorganisation on terms approved in writing by the Trustee or in compliance with the covenant described in 12.2.6 above; or

(ix) If (a) any administrative or other receiver or any manager of the Company or any Material Subsidiary or any of their respective property is appointed or the directors of the Company or any Material Subsidiary request any person to appoint such a receiver or manager, or any other steps are taken to enforce any charge or other security over any of the Company's or any Material Subsidiary's property or to repossess any goods in the Company's or any Material Subsidiary's possession under any hire purchase, conditional sale, chattel leasing, retention of title or similar agreement, or (b) any kind of attachment, sequestration, distress or execution is levied, enforced or sued out on or against the Company or any Material Subsidiary or any of their respective property and is not discharged or stayed within 30 days; or

(x) if (a) an order is made or an effective resolution passed for the winding up of the Company or any Material Subsidiary, the Company or any Material Subsidiary passes a resolution for its winding up, or the Company or any Material Subsidiary or any other person presents any petition for the Company's or any Material Subsidiary's winding up, in each case save for the purposes of reorganisation on terms approved in writing by the Trustee or in compliance with the covenant described 12.2.6 above, or (b) an order for the Company's or any Material Subsidiary's winding up is made on the petition of any of its creditors and is not discharged or stayed within 30 days; or

(xi) if an order is made or an effective resolution passed for the dissolution of the Company or any Material Subsidiary, save for the purposes of reorganisation on terms approved in writing by the Trustee or in compliance with the covenant described in 12.2.6 above, and is not discharged or stayed within 30 days; or

(xii) if there occurs, in relation to the Company or any Material Subsidiary, in any country or territory in which it carries on business or to the jurisdiction of whose courts it or any of its property is subject any event which corresponds in that country or territory with any of those mentioned in paragraphs (i) to (xi) inclusive above or the Company or any Material Subsidiary otherwise becomes subject, in any such country or territory, to any law relating to insolvency, bankruptcy or liquidation, save for the purposes of reorganisation on terms approved in writing by the Trustee or in compliance with the covenant described in 12.2.6 above.

12.3.2 The description given to an Event of Default above is subject to the following:

(i) (a) that for the purposes of sub-paragraph (iii) above no event shall constitute an Event of Default; and

(b) that for the purposes of sub-paragraph (iv) above neither the Company nor any Material Subsidiary shall be deemed to be unable to pay its debts if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is made or deemed to be unable to pay any debt fallen due,

if the relevant payment obligation, demand or debt is being contested in good faith by the Company or the relevant Material Subsidiary with recourse to all appropriate measures and procedures;

(ii) for the purposes of sub-paragraph (iv) above, section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£10,000"; and

(iii) no such event, other than those described in sub-paragraphs (i) and (in the case of a winding up or dissolution of the Company) (x), (xi) and (xii) above, shall constitute an Event of Default unless and until the Trustee shall have certified to the Company that such event is in its opinion materially prejudicial to the interests of the Bondholders.

12.3.3 A "Potential Event of Default" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute an Event of Default.

12.4 Definitions

For the purposes of this paragraph 12:

"Adjusted Consolidated Net Income" means Consolidated Net Income plus any amount attributed to the amortisation of goodwill appearing in the Company's consolidated accounts, in each case calculated by the Auditors on a consolidated basis in accordance with generally accepted accounting principles in the UK by reference to the relevant consolidated accounts of the Company.

"Affiliate" means a person who directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, and for this purpose the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliate Transaction" means any agreement to sell, lease, transfer, charge or otherwise dispose of or purchase any property or assets, or any contract, loan, advance or guarantee, in each case entered into with or for the benefit of any Affiliate, except:

(i) any employment agreement;

(ii) any transaction exclusively between or among any of the Company, the Company, the wholly-owned Subsidiaries of Computacenter (UK) Limited and the wholly-owned Subsidiaries of the Company provided such transaction is not otherwise prohibited by the Trust Deed; and

(iii) any Restricted Payment which is made in compliance with the covenant described in sub-paragraph 12.2.3 above.

"Asset Acquisition" means (i) an investment in any other person pursuant to which such person shall become a Subsidiary of the Company or of any Subsidiary of the Company, or shall be merged with or into the Company or any Subsidiary of the Company, or (ii) the acquisition of the assets of any person which constitute all or substantially all of the assets of such person, any division or type of business of such person.

"Asset Sale" means any sale, lease, transfer, charge or other disposal of assets, whether by a single transaction or by a series of transactions, except:

(i) disposals (including repayments of loans) made in the ordinary course of trading of the person so disposing;

(ii) disposals of assets in exchange for other assets equivalent or superior as to type and quality;

(iii) disposals of investments listed or dealt in on any stock exchange or over-the-counter market;

(iv) disposals of cash raised or borrowed in implementation of the purposes for which it was raised or borrowed;

(v) the payment of cash as consideration for the acquisition of any asset on arm's-length commercial terms;

(vi) disposals made in compliance with the covenant described in sub-paragraph 12.2.6 above; and

(vii) disposals, in addition to those permitted under sub-paragraphs (i) to (v) above, during any financial year of the Company, of assets which have an aggregate book value of not more than £500,000.

"Auditors" means the auditors for the time being of the Company or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of the Trust Deed, such other firm of accountants as may be nominated or approved by the Trustee for the purposes of the Trust Deed.

"Cash Equivalents" means:

(i) bankers' acceptances eligible for discount at the Bank of England; and

(ii) any other obligations denominated and payable in sterling (including, without limitation, any certificates of deposit, bills, bonds, notes, debentures, loan stock or other debt instruments) which in any such case have a maturity falling no more than 90 days from the date on which the relative Asset Sale is completed or relative Restricted Investment is made, as applicable, and which are issued, accepted or guaranteed in the UK by:

(a) the government of the UK;

(b) a bank operating through a branch in the UK;

(c) a UK building society; or

(d) a UK local authority;

which, in the case of a bank or a UK building society, is either (i) a UK clearing bank or (ii) a bank or building society whose, or whose ultimate holding company's, long term debt is rated AA or better by Standard & Poor's Ratings Group or Aa2 or better by Moody's Investors Service, Inc.

"Consolidated Cash Flow" means Consolidated Net Income, but adding back, if applicable:

(i) any provision for taxes;

(ii) Total Interest; and

(iii) any amount attributable to depreciation and amortisation (including goodwill and other intangible assets, but excluding any amortisation of deferred financing charges),

in each case calculated by the Auditors on a consolidated basis in accordance with generally accepted accounting principles in the UK by reference to the most recently ended six month financial period for which consolidated accounts of the Company are either available or capable of determination from the audited consolidated accounts of the Company for the most recently ended 12 month financial period provided that until consolidated accounts of the Company are available for the six month financial period, ending 30 June 1996, Consolidated Cash Flow shall be calculated mutatis mutandis by the Auditors on a consolidated basis in accordance with generally accepted accounting principles in the UK by reference to a consolidation reviewed by the Auditors of the management accounts of the Company and its Subsidiaries for that number of completed consecutive calendar months from and including November 1995 for which management accounts are available and references in the definition of "Consolidated Cash Flow Coverage Ratio" to "Six Month Period" shall be deemed amended accordingly.

"Consolidated Cash Flow Coverage Ratio" means the ratio of (i) Consolidated Cash Flow during the most recently ended six month financial period for which consolidated accounts of the Company are either available or capable of determination from the audited consolidated accounts of the Company for the most recently ended 12 month financial period (the "Six Month Period") at the date (the "Transaction Date") of the transaction giving rise to the need to calculate the Consolidated Cash Flow Coverage Ratio to (ii) Total Interest for the Six Month Period. In addition to and without limitation of the foregoing, for the purposes of this definition, "Consolidated Cash Flow" and Total Interest shall be calculated after giving effect on a pro forma basis for the period of such calculation to (a) the incurrence or repayment of any Indebtedness of the Company or any of its Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness (and the application of the proceeds thereof) at any time subsequent to the last day of the Six Month Period and on or prior to the Transaction Date, as if such incurrence or repayment, as the case may be (and the application of the proceeds thereof), occurred on the first day of the Six Month Period and (b) any Asset Sale or Asset Acquisition occurring during the Six Month Period or at any time subsequent to the last day of the Six Month Period and on or prior to the Transaction Date, as if such Asset Sale or Asset Acquisition, as the case may be, occurred on the first day of the Six Month Period. Furthermore, in calculating Total Interest as the denominator (but not as part of the numerator) of the Consolidated Cash Flow Coverage Ratio, (1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date; (2) if interest on any Indebtedness actually incurred on the Transaction Date may be determined on a fluctuating basis, then the interest rate in effect on the Transaction Date will be deemed to have been in effect during the Six Month Period; and (3) the permanent retirement of any Indebtedness during the Six Month Period or at any time subsequent to the last day of the Six Month Period and on or prior to the Transaction Date shall be given effect as if it occurred on the first day of such Six Month Period.

"Consolidated Net Income" means, for any period, the profit (or loss) attributable to the members of the Company and its Subsidiaries for such period on a consolidated basis, calculated by the Auditors in accordance with generally accepted accounting principles in the UK; provided that there shall be disregarded in the calculation thereof (i) gains and losses from Asset Sales (without regard to the £500,000 limitation set forth in the definition thereof) or write-offs of reserves relating thereto; (ii) items classified as exceptional gains and losses, and the related tax effects according to generally accepted accounting principles in the UK; and (iii) the net income (or loss) of any person acquired in a merger accrued prior to the date it becomes a Subsidiary of the Company or is merged with the Company or any Subsidiary of the Company.

"Consolidated Net Worth" means at any time the aggregate of:

(i) the amount paid up or credited as paid up on the issued share capital of the Company; and

(ii) the amount standing to the credit of the capital and revenue reserves (including any share premium account and capital redemption reserve and the amount standing to the credit of the profit and loss account) of the Company and its Subsidiaries,

all as shown by a consolidation of the then latest audited balance sheets of the Company and its Subsidiaries (which shall be prepared on the basis of the historical cost convention modified, if applicable, for the revaluation of land and buildings and other assets) but:

(a) adjusted in respect of any subsequent variation in interests in such Subsidiaries, in the share capital of the Company paid up or credited as paid up and in the amounts of the said reserves (other than variations in profit and loss account arising from normal trading) since the dates of such balance sheets;

(b) excluding all sums set aside for taxation whether in respect of deferred taxation or otherwise;

(c) excluding all amounts attributable to outside interests in Subsidiaries of the Company and any distributions to shareholders of the Company and (to the extent not attributable either directly or indirectly to the Company) shareholders of Subsidiaries of the Company out of profits accrued prior to the dates of the relative audited balance sheets and not provided for therein;

(d) excluding all amounts attributable to goodwill and other intangible assets;

(e) deducting therefrom any debit balance on profit and loss account or any other reserve account;

(f) excluding therefrom such part of the interests of the Company or a Subsidiary of the Company in an associated company, not being a Subsidiary of the Company, as is attributable to any post-acquisition undistributed profits and reserves, but including such interests as original cost or, if lower, book value; and

(g) after making such other adjustments (if any) as the Auditors may consider appropriate.

"Existing Indebtedness" means the Bonds and any other specified Indebtedness in existence on the date after the Closing Date, as certified to the Trustee by two Directors or one Director and the Secretary of the Company within 14 days after the Closing Date, and includes undrawn amounts under the £11.54 million facilities existing on that date.

"Indebtedness" means all liabilities in respect of:

(i) amounts borrowed;

(ii) the principal amount owing in respect of any debentures (within the meaning of section 744 of the Companies Act 1985), whether issued for cash or in whole or in part for a consideration other than cash;

(iii) the principal amount owing of any amounts borrowed by or other indebtedness of and the nominal amount of any share capital of any person or body, whether corporate or unincorporate, the repayment whereof or the payment of any premium, interest or dividends whereon is for the time being guaranteed or secured or the subject of an indemnity given by the Company or a Subsidiary of the Company and the beneficial interest in the right to such repayment or payment is not owned by the Company or a Subsidiary of the Company, which principal or nominal amount shall, except insofar as otherwise taken into account, be deemed to be Indebtedness of the Company or of such first-mentioned Subsidiary, as the case may be;

(iv) the nominal amount of any issued share capital of any Subsidiary of the Company (not being equity share capital which, as regards capital and dividends, has rights no more favourable than those attached to its ordinary share capital), which nominal amount shall be deemed to be Indebtedness of such Subsidiary save to the extent such issued share capital is attributable either directly or indirectly to the Company;

(v) the principal amount raised by any person by acceptances or under any acceptance credit opened on its behalf by any bank or accepting house;

(vi) the principal amount of any book debts which have been sold or agreed to be sold, to the extent that the Company or any Subsidiary of the Company is for the time being liable to indemnify or reimburse the purchaser in respect of any non-payment;

(vii) any finance lease or hire purchase agreement (being any lease or hire purchase agreement which would be treated as a finance lease under generally accepted accounting principles in the UK) entered into primarily as a method of raising finance or of financing the acquisition of the asset leased or hired;

(viii) any part of the purchase price of any movable or immovable assets acquired by the Company or a Subsidiary of the Company, the payment of which is deferred beyond the date of completion of the conveyance, assignment or transfer of the legal estate to such assets or, if no such conveyance, assignment or transfer is to take place within six months after the date on which the contract for such purchase is entered into or (if later) becomes unconditional, beyond that date; and

(ix) for the purposes of Condition 12(iii) of the Bonds only, amounts due under interest rate swaps, currency swaps (including spot and forward exchange contracts), caps, collars, floors and similar obligations,

and so that, for the purpose of these Conditions, if a person becomes a Subsidiary of the Company at a time when such person has outstanding any Indebtedness, such Indebtedness shall be deemed to be incurred at the time it becomes such a Subsidiary.

"Intercompany Indebtedness" means any Indebtedness of the Company to any Subsidiary of the Company and any Indebtedness of any Subsidiary of the Company to the Company or any other Subsidiary of the Company and for the purposes of this definition "Subsidiary of the Company" means any such Subsidiary whose accounts are consolidated with those of the Company.

"Material Subsidiary" means, a Subsidiary of the Company (inter alia):

(a) whose profits before tax and extraordinary items attributable to the Company (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets or net assets (in each case consolidated in the case of a Subsidiary which itself has Subsidiaries) represent more than 5 per cent. of the consolidated profits before tax and extraordinary items of the Company and its Subsidiaries attributable to the shareholders of the Company, or, as the case may be, consolidated total assets or net assets respectively, of the Company and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Company and its Subsidiaries; provided that Computacenter France (SA) shall be a Material Subsidiary pursuant to this sub-paragraph (a) only if its profits before tax and extraordinary items attributable to the Company (consolidated if Computacenter France (SA) has Subsidiaries) represent more than 5 per cent. of the consolidated profits before tax and extraordinary items of the Company and its Subsidiaries attributable to the shareholders of the Company (all as calculated as aforesaid); or

(b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Company which immediately prior to such transfer is a Material Subsidiary; or

(c) which has outstanding any bonds, notes or other like securities of which the Trustee is trustee; all as more particularly described in the Trust Deed.

A report by the Auditors that in their opinion a Subsidiary of the Company is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"Net Cash Proceeds" means, (i) with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by the Company or any of its Subsidiaries from such Asset Sale net of (a) out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions), (b) taxes paid or payable after taking into account any reduction in consolidated tax liability due to available tax credits or deductions, (c) repayment of

Indebtedness that is required to be repaid in connection with such Asset Sale, (d) any portion of cash proceeds which the Company determines in good faith should be reserved for post-completion adjustments, it being understood and agreed that on the day that all such post-completion adjustments have been determined, the amount (if any) by which the reserved amount in respect of such Asset Sale exceeds the actual post-completion adjustments payable by the Company or any of its Subsidiaries shall constitute Net Cash Proceeds on such date; or (ii) with respect to the issue of irredeemable share capital or share capital not redeemable in any circumstances earlier than 24 December 2002 by the Company, the aggregate net proceeds received by the Company after payment of expenses, commissions and other similar charges incurred, and deduction of any loan made by the Company for the purpose thereof whether such proceeds are in cash or in property (valued at the full fair market value thereof, as determined in good faith by the Directors of the Company, at the time of receipt).

"Permitted Indebtedness" means:

(i) Existing Indebtedness;

(ii) Refinancing Indebtedness;

(iii) Intercompany Indebtedness; and

(iv) other Indebtedness not exceeding in the aggregate £5 million.

"Potential Event of Default" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfillment of any similar condition, would constitute an Event of Default.

"Productive Assets" means assets (not being share capital) of a kind used or usable in the businesses of the Company and its Subsidiaries as conducted for the time being.

"Refinancing Indebtedness" means any Indebtedness which is incurred for the purpose of refinancing, and is to be used within 30 days of its incurrence to refinance, any Existing Indebtedness or any previous refinancing of Existing Indebtedness, provided that such Refinancing Indebtedness is entered into on terms which, as to principal amount, are not greater, and, as to maturity, are not earlier, in each case than the corresponding terms of the Indebtedness it is refinancing, unless it is not in fact so used, whereupon it shall forthwith cease to be Refinancing Indebtedness.

"Restricted Investment" means any investment in the form of loans (including guarantees), capital contributions, purchases or other acquisitions that are or would be classified as investments on a balance sheet prepared in accordance with generally accepted accounting principles in the UK except:

(i) any investment in any Subsidiary of the Company which is attributable either directly or indirectly to the Company;

(ii) any investment in cash or Cash Equivalents;

(iii) any purchase by the Company or any of its Subsidiaries of any Bonds or any Further Bonds; or

(iv) any other investments that do not exceed in the aggregate £2.5 million.

"Restricted Payment" means:

(i) a dividend or any other distribution in respect of share capital except, in the case of a distribution by a Subsidiary of the Company, to the extent that such distribution is attributable either directly or indirectly to the Company; or

(ii) the purchase and cancellation, redemption or other reduction of issued share capital of the Company or a Subsidiary of the Company except, in the case of such a Subsidiary, to the extent that any consideration in respect thereof is attributable either directly or indirectly to the Company; or

(iii) the voluntary purchase, redemption or other reduction of Indebtedness of the Company that is subordinated to or otherwise ranks for payment after the Bonds; or

(iv) any Restricted Investment.

"share capital" means in relation to any relevant person any of its share capital including but not limited to preference and deferred share capital.

"Subsidiary" means any company which is for the time being a subsidiary (within the meaning of Section 736 of the Companies Act 1985) or a subsidiary undertaking (within the meaning of Section 258 and Schedule 10A of the Companies Act 1985).

"Total Interest" means the sum of:

(i) consolidated interest expense (which for this purpose shall be deemed to include, without limitation, any amortisation of original issue discount but to exclude any amortisation of deferred financing charges), whether expended or capitalised;

(ii) all cash commissions and other cash charges incurred with respect to Indebtedness;

(iii) any interest expense guaranteed or secured by the Company or any Subsidiary of the Company; and

(iv) any dividend payments in respect of preferred share capital,

less any interest earned by the Company or any of its Subsidiaries, in each case calculated by the Auditors on a consolidated basis in accordance with generally accepted accounting principles in the UK by reference to the most recently ended six month financial period for which consolidated accounts of the Company are either available or capable of determination from the audited consolidated accounts of the Company for the most recently ended 12 month financial period provided that until consolidated accounts of the Company are available for the six month financial period ending 30 June 1996, Total Interest shall be calculated mutatis mutandis by the Auditors on a consolidated basis in accordance with generally accepted accounting principles in the UK by reference to a consolidation reviewed by the Auditors of the management accounts of the Company and its Subsidiaries for that number of completed consecutive calendar months from and including November 1995 for which management accounts are available and references in the definition of "Consolidated Cash Flow Coverage Ratio" to "Six Month Period" shall be deemed amended accordingly.

13 Property

The following summarises certain information with respect to the Group's principal places of business:

Operation	Location	Area of Site	Tenure
(A) Warehouse and distribution facility comprising:	St. Albans, Hertfordshire (in the UK)	See below	See below
(i) Unit A	as above	34,200 ft²	leasehold (until Sept 2000)
(ii) Unit B	as above	32,678 ft²	leasehold (until Sept 2014)
(iii) Units E and F	as above	63,930 ft²	leasehold (until June 2015)
(B) New site for:	Hatfield, Hertfordshire (in the UK)	See below	freehold
(i) warehouse and distribution centre	as above	225,000 ft²	as above
(ii) head office	as above	100,000 ft²	as above
(C) Offices	Link House Watford (in the UK)	15,244 ft²	leasehold (until May 2000)
(D) Offices, storage and distribution warehouse	Sandhurst Centre, Watford (in the UK)	24,000 ft²	leasehold (until June 2001)
(E) Head Office	93-101 Blackfriars Road, London SE1 (in the UK)	24,000 ft²	leasehold (until August 2010)

The Group owns or leases 55 properties in the UK, France and Germany. All of these are leased, save for the properties at Hatfield, 92 Blackfriars Road and 18 Colonial Way, Watford, all in the UK, where the Group owns the freehold.

14 Investments

Over the last three financial years, the Group has made no investments, other than in the ordinary course of business or as disclosed in the Accountants' report in Part IV.

15 Litigation

15.1 *The Group is the subject of a formal investigation by the Commission for Racial Equality ("CRE") into employment procedures in respect of the period 1 January 1991 to 3 March 1994 relating to the Group's National Repair Centre. For operational reasons, the National Repair Centre was subsequently closed. The Directors believe that the Group will be able to satisfy the CRE that it operated no discriminatory practices. The Group is co-operating fully with the CRE in the conduct of the investigation. In the event of any adverse determination, the CRE is able to require the Group to amend its* practices or procedures to ensure equality of opportunity and such determination might have to be disclosed in future Government tenders. The Group is committed to equality of opportunity and would in any event wish to take any steps necessary to prevent discrimination of any kind. In the view of the Directors, the investigation should have no significant effect on the Group's financial position.

15.2 In March 1991, Computacenter acquired Amazon Computers Limited from Cogent (Holdings) Limited. At the time of sale a dispute was disclosed relating to the supply of a computer system by Amazon to Cargofile Ltd. for £28,000. Cargofile claim that the system supplied did not function as specified and thereby caused consequential financial loss. Computacenter obtained an indemnity from Cogent (Holdings) Limited in respect of the above dispute. To the extent that Cogent failed to honour its obligations under the indemnity, Amazon, a subsidiary of the Group would be required to pay the amount of any successful claim by Cargofile.

15.3 Save as aforesaid, neither the Company nor any other member of the Group is or has been involved in any legal or arbitration proceedings, nor, so far as the Directors are aware, are there any legal or arbitration proceedings pending or threatened involving the Company or any member of the Group, which may have or have had in the previous 12 months, a significant effect on the Group's financial position.

16 UK taxation

16.1 General

The comments below are only a guide to the general position and are based on current UK taxation legislation and practice of the UK Inland Revenue (the "Inland Revenue"). They relate to persons who are resident in the UK for UK tax purposes and who are beneficial owners of Ordinary Shares. The comments below may not apply to certain classes of shareholders such as dealers in securities. If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction other than the UK, you should consult your own professional advisers.

16.2 Close company

The Directors have been advised that although the Company is presently a close company, following the Global Offering it should not be a close company as defined by section 414 of the Income and Corporation Taxes Act 1988 ("ICTA 1988") or a close investment holding company as defined by section 13A of ICTA 1988.

16.3 Dividends

Under current UK taxation legislation, no tax is withheld from dividend payments by the Company. However, when it pays a dividend, the Company has to account to the Inland Revenue for advance corporation tax ("ACT"). The current rate of ACT is equal to a quarter of the amount of the dividend paid. ACT paid by the Company can be set off against its liability to corporation tax subject to certain restrictions. On 25 November 1997 the UK Government announced the proposed abolition of ACT from 6 April 1999; the Chancellor of the Exchequer confirmed this in his Budget Statement of 17 March 1998.

A shareholder who is an individual resident in the UK (for tax purposes) will generally be entitled to a tax credit in respect of any dividend received from the Company and will be taxed on the aggregate of the dividend and the tax credit (the "gross dividend"), which will be regarded as the top slice of the shareholder's income. The value of the tax credit is currently a quarter of the dividend received. A UK resident individual who is not liable to income tax in respect of the gross dividend (or any part thereof) is currently able to reclaim the tax credit (or part thereof) from the Inland Revenue. In the case of a UK resident individual who is liable to income tax at only the lower rate or the basic rate, the tax credit will in each case match his income tax liability in respect of the dividend and there will be no further tax to pay and no right to claim any repayment from the Inland Revenue. In the case of a UK resident individual who is liable to income tax at the higher rate (currently 40 per cent.), the tax credit will be set against but will not fully match his tax liability on the gross dividend and he will have to pay additional income tax equal (at present) to 20 per cent. of the gross dividend.

A corporate shareholder resident in the UK (for tax purposes) will not normally be liable for UK tax on the receipt of a dividend and will be able to treat any dividend received and the related tax credit as franked investment income. As a general rule, a corporate shareholder will be able to use the tax credit on dividends received to satisfy its own liability to account for ACT on dividends, up to the same amount, which it in turn pays.

Under legislation introduced in the Finance (No. 2) Act 1997, UK pension funds are no longer entitled to reclaim the tax credits on dividends paid by the Company. This applies to dividends paid on or after 2 July 1997.

Subject to certain exceptions for individuals who are nationals of any state in the European Economic Area, Commonwealth citizens, residents of the Isle of Man or the Channel Islands and certain others, the rights of a holder of Ordinary Shares who is not resident in the UK (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double taxation convention between the UK and the country in which that person is resident. Such persons should consult their own tax advisers concerning their tax liabilities on dividends received, their entitlement to reclaim any part of the tax credit and, if so, the procedure for doing so. Persons resident outside the UK may also be subject to foreign taxation on dividend income under local law.

Under legislation introduced in the Finance Act 1994 the Company may elect to pay a "foreign income dividend" (a "FID"). The Company must still account for ACT when it pays a FID but this ACT may be reclaimed by the Company if the FID is paid out of non-UK source profits. If the Company were to elect to pay a FID, the FID would not carry an associated tax credit and would not constitute franked investment income. The Finance Act 1997 contains provisions whereby certain dividends which are made referable to transactions in securities will be treated as FIDs and consequently will not carry a tax credit. The foreign income dividend legislation is to be abolished with effect from 6 April 1999.

With effect from 6 April 1999, the rate of tax credits on dividends paid by the Company will reduce to 10 per cent. of the gross dividend. Further, UK resident individual shareholders who are not liable to income tax in respect of the gross dividend will generally not be entitled to reclaim any part of the tax credit. In the case of UK resident individual shareholders liable to income tax at only the lower or basic rate, the tax credit will continue to satisfy in full such shareholders' liability to income tax on the dividend. UK resident individual shareholders liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent., but will be able to set the tax credit off against part of this liability. The effect of the reduction of the higher rate of income tax on dividends to 32.5 per cent. will be that an individual shareholder who is liable to the higher rate of income tax will continue to have a liability, after taking account of the tax credit, equal to one-quarter of the cash dividend received. Shareholders resident outside the UK should consult an appropriate professional adviser on the effect of these changes for them. Shareholders resident outside the UK should note that, following the planned reduction in the rate of the tax credit to 10 per cent. from 6 April 1999, they may not be entitled to any payment from the Inland Revenue in respect of the tax credits on dividends on their Ordinary Shares.

16.4 Chargeable gains

A disposal of the Ordinary Shares by a shareholder resident or ordinarily resident for tax purposes in the UK or a shareholder who carries on a trade, profession or vocation in the UK through a branch or agency and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency may, depending on the shareholder's circumstances, and subject to any available exemption or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than 5 tax years and who disposes of the Ordinary Shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemption or relief).

16.5 Stamp duty and SDRT

The conveyance or transfer on sale of Ordinary Shares will generally be subject to ad valorem stamp duty at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration paid. Stamp duty is normally the liability of the purchaser.

An unconditional agreement to transfer Ordinary Shares will normally give rise to a charge to Stamp Duty Reserve Tax ("SDRT") at the rate of 0.5 per cent. of the amount or value of the consideration for the Ordinary Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser.

Where Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT may be payable at a rate of £1.50 per £100 (or part thereof) or 1.5 per cent. respectively of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares. Clearance service providers may opt, under certain conditions, for the normal rates of SDRT to apply to a transfer of shares into, and to transactions within, the service instead of the higher rate applying to an issue or transfer of shares into the clearance service.

The UK Finance Act 1996 introduced tax provisions to cater for the introduction of a paperless share transfer system, known as CREST, in the UK. Under these provisions, paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system. Deposits of Ordinary Shares into CREST generally will not be subject to SDRT, unless the transfer into CREST is itself for consideration.

Special rules apply to market intermediaries.

Under the terms of the Underwriting Agreement any stamp duty or SDRT charge which arises on the initial issue or transfer of Ordinary Shares under the Global Offering will be borne by the Selling Shareholders or the Company (as appropriate) insofar as this charge does not exceed 0.5 per cent. of the Offer Price.

17 Working capital

The Directors are of the opinion that, having regard to the net proceeds of the Global Offering and the facilities available to the Group, the Group has sufficient working capital for its present requirements.

18 General

18.1 Ernst & Young of Apex Plaza, Reading, RG1 1YE have audited the accounts of the Company for the two financial periods ended 31 December 1997 and the accounts of Computacenter (UK) Limited for the financial period ended 31 December 1995.

18.2 The total costs (exclusive of any value added tax) payable by the Company in connection with the Global Offering are estimated to amount to £3.8 million, assuming no exercise of the Over-Allotment Options.

18.3 There has been no significant change in the financial or trading position of the Group since 31 December 1997, the date to which the last audited financial statements were published.

18.4 The Offer Price of 670p per Ordinary Share represents a premium of 665p per Ordinary Share over the nominal value of 5p per Ordinary Share.

18.5 The Ordinary Shares will be in registered form. It is expected that investors applying for and receiving Ordinary Shares will have such Ordinary Shares credited to their CREST accounts on or after 29 May 1998.

18.6 The financial information contained in this document does not comprise the statutory accounts of any company within the meaning of Section 240 of the Companies Act. For the two financial periods ended 31 December 1997, the financial statements of the Company, and for the financial period ended 31 December 1995, the financial statements of Computacenter (UK) Limited, received unqualified audit opinions and did not contain statements under Section 237(2) or (3) of the Companies Act or its equivalent. No audited accounts have been made up for any period subsequent to 31 December 1997. The Company's, and Computacenter (UK) Limited's, statutory accounts for the financial periods described have been delivered to the Registrar of Companies.

18.7 Ernst & Young has given and not withdrawn its consent to the inclusion in this document of its name, report and letter and the references thereto, in the form and context in which they respectively appear, and has authorised the contents of the relevant parts of this document for the purposes of Section 152(1)(e) of the Financial Services Act 1986.

18.8 Save as disclosed in this document, no Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for Admission.

18.9 Mr. Beecroft was a non-executive director of Auto-mec Limited (from September 1986 until January 1995), R.E.L. Limited (from November 1985 until February 1990) and Mohawk Holdings Limited (from August 1987 until November 1996). Receivers were appointed on 27 November 1992, 28 September 1990 and 22 October 1990 (respectively) in relation to these companies. The completion of the liquidation of the companies set out above resulted in the following approximate shortfalls to creditors: Auto-mec Limited, £2,025,000; R.E.L. Limited, £620,490; and Mohawk Holdings Limited, £2,405,971. During these periods Mr Beecroft was also a director of 12 other companies, which are still trading or have been sold.

19 Documents available for inspection

Copies of the following documents may be inspected at the offices of Linklaters & Paines, One Silk Street, London EC2Y 8HQ during usual business hours on any weekday (Saturdays and public holidays excepted), until 5 June 1998:

(i) the memorandum and articles of association of the Company;

(ii) the audited accounts of Computacenter (UK) Limited for the year ended 31 December 1995, the audited accounts of the Company for the 15 month period ended 31 December 1996 and the audited accounts of the Company for the year ended 31 December 1997;

(iii) the statement of adjustments prepared by Ernst & Young relating to the Accountants' report in Part IV;

(iv) the Accountants' report by Ernst & Young contained in Part IV;

(v) the letter from Ernst & Young relating to the pro forma financial information contained in Part V above;

(vi) the Directors' service agreements referred to under "Directors' service contracts and remuneration" above;

(vii) the material contracts referred to under "Material contracts" above;

(viii) the rules and trust deeds of the share schemes referred to under "Employee share schemes" above;

(ix) the Trust Deed referred to under "The Company's bonds" above;

(x) the letter of consent from Ernst & Young referred to under "General" above; and

(xi) the source material referred to in Part II above (1997 Holway Report and PC Europa, Year 8, Issue 4) and the audited accounts of Computacenter (UK) Limited for the 12 financial years ended 31 December 1994.

Dated 21 May 1998

Definitions and glossary of technical terms

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

"Admission"	admission of the Ordinary Shares to the Official List of the London Stock Exchange becoming effective
"Apax"	funds managed by or advised by Apax Partners & Co. Ventures Limited
"Bonds"	£50,000,000 10 per cent. bonds issued by Computacenter plc which are listed on the Luxembourg Stock Exchange and are due 2002
"Companies Act"	the United Kingdom Companies Act 1985, as amended
"Company"	Computacenter plc
"Computacenter" or "Group"	the Company and its subsidiaries and associated undertaking or any one of them, as the case may be
"Computacenter France"	Computacenter France S.A.
"Computacenter Germany"	Computacenter Beteiligung GmbH
"Directors"	the directors of the Company
"DM"	Deutsche Marks
"Foreign & Colonial Ventures"	funds managed by Foreign & Colonial Ventures Limited or by other members of the Foreign & Colonial group
"FFr"	French Francs
"FTSE 100"	the Financial Times Stock Exchange Index based on the performance of the top 100 UK-registered companies listed on the London Stock Exchange measured by market value
"ICG"	International Computer Group
"London Stock Exchange"	London Stock Exchange Limited
"Offer Price"	670p per Ordinary Share
"Ordinary Shares"	Ordinary Shares of 5p each in the capital of the Company
"Over-Allotment Options"	the Global Co-ordinator's right to require the Company and certain Selling Shareholders to issue or transfer (as the case may be) up to 744,845 additional new Ordinary Shares at the Offer Price and up to an aggregate of 3,685,557 additional existing Ordinary Shares at the Offer Price for the purposes of meeting over-allotments in connection with the Global Offering and to cover short positions arising from stabilisation transactions
"QIB"	qualified institutional buyer, as defined in Rule 144A under the Securities Act
"Securities Act"	the US Securities Act of 1933, as amended
"Selling Shareholders"	those persons, other than the Company, selling existing Ordinary Shares in the Global Offering, as further set out in the table in Part 1 of this document
"UK"	United Kingdom of Great Britain and Northern Ireland

"Underwriters"	the Underwriters of the Global Offering whose names are listed in paragraph 9.1(xi) of Part VI of this document
"United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia

Glossary of technical terms

"ACE"	Automatic Configuration Engineer, a system developed and used by Computacenter for automated configuration of software onto PCs
"build-to-order"	just-in-time programme that delays the production of PCs until a customer has committed to their purchase. PCs are then built to the specific requirements of customers' orders
"channel"	indirect distribution flow of products despatched either from manufacturer to reseller to customer or manufacturer to distributor to reseller to customer
"channel assembly"	programme that enables entities, such as Computacenter, to perform final assembly of key components of a PC instead of the manufacturer
"configuration"	the combination of hardware and software components that make up a computer system and the settings that allow these components to work together
"distributed IT or computing"	refers to computer systems in multiple locations throughout an organisation working in a co-operative fashion, with the system at each location serving the needs of that location but also able to receive information from other systems and supply information to other systems within the network
"electronic commerce"	commercial transactions performed electronically (i.e. over the Internet or modem lines)
"email"	electronic mail
"groupware"	communications technology such as email
"IT"	information technology
"Internet"	the Internet is a global, informal network which links computers and computer networks throughout the world, enabling end user services or information (including the World Wide Web) to be accessed and transmitted between networks
"Intranet"	an Intranet is a network using internet protocol, connecting computers and networks within the confines of a single organisation. The Intranet focuses on facilitating the internal flow of information in an organisation
"JBA Business/400 system"	Computacenter's internal IT system supplied by JBA and used internally to process sales orders, logistics, purchasing and financial requirements

"Linx"	Computacenter's call management system to support the Company's CallCenter and managed services requirements
"local and wide area networking (LAN and WAN, respectively)"	the linkage of personal computers and peripherals (operated generally by a single organisation) locally or over wide geographic distances so that users can exchange information
"mainframe"	a large, central computer typically designed to centralise the computing needs of a large organisation (as opposed to a specific department)
"NetPC"	a type of network computer using Wintel architecture
"networking"	software and hardware which link a number of devices, such as computers, workstations and printers, into a network (system)
"network computer"	a network computer is similar to a PC which runs a small operating system in memory, but has no local storage space
"network operating system"	the software programme that provides the LAN user interface and controls network operation. An operating system communicates with the LAN hardware and enables users to communicate with one another and share files and peripherals
"OEM"	original equipment manufacturer
"On-Trac"	the electronic procurement and tracking system Computacenter uses, under an arrangement with Computasoft, enabling Computacenter's customers to access Computacenter's price and order information from their own PCs
"out-task"	the sub-contracting of discrete activities by organisations to external service providers, such as Computacenter
"out-source"	the sub-contracting of management operations by organisations to external service providers to perform entire functions, thereby replacing in-house resources
"PC"	personal computer
"portfolio management"	Computacenter service that manages the procurement of a standard portfolio of IT products on behalf of a customer
"PROJECT"	Computacenter's own brand of PC peripherals manufactured by OEMs
"reseller"	an organisation that purchases IT equipment from manufacturer(s) or distributor(s) and resells products to end-user organisations
"SAP"	a leading provider of enterprise application software
"SAX"	Computacenter's internal IT system to manage the Company's UK maintenance calls and spare parts
"server"	a system or a programme that receives requests from one or more client systems or programmes to perform activities that allow the client to accomplish certain tasks

"time-to-desk"	lapse of time between a particular need for a PC being identified and that need being fulfilled with a working system on the desk of the user
"Unix"	a family of operating systems known for its relative hardware independence and portable applications interface, primarily used in technical and scientific computing applications
"vendor-independent"	a term used to describe a marketing stance which is not aligned with any particular manufacturer
"Wintel"	an IT industry standard comprised of (Windows) operating systems from Microsoft and PC processors from Intel