

# **Restated financial information under International Financial Reporting Standards**

**28 June 2005**

***Computacenter***

## Contents

	<u>Page</u>
<u>Summary information</u>	
Introduction and summary of IFRS impact	3
Basis of preparation	4
Restated consolidated income statements	5
Restated balance sheets	7
Explanatory notes on the impact of IFRS	10
<u>Detailed information</u>	
Detailed restated consolidated income statements	12
Detailed restated balance sheets	14
Principal accounting policies	17

## Introduction

Computacenter is required to report its consolidated financial statements under International Financial Reporting Standards (IFRS), as adopted by the European Union for all accounting periods beginning on or after 1 January 2005. Previously the Group has applied UK Generally Accepted Accounting Principles (UK GAAP).

The first financial result under IFRS will be the 2005 interim report, to be released on 8th September. This document explains the impact of the adoption of IFRS on the Group's results, and quantifies the expected impact on 2004 financial information, including the 1 January 2004 balance sheet, previously prepared under UK GAAP.

## Summary of IFRS impact

The impact on the profit for the year ended 31 December 2004, together with the impact split between the half-year and second half results is detailed in the table below:

	Year ended 31 December 2004				H1 2004	H2 2004
	Profit				Profit for	Profit for
	before tax, continuing operations	Income tax expense	Discontinued operations	Profit for the Year	the Year	the Year
	£'000	£'000	£'000	£'000	£'000	
<b>UK GAAP</b>	<b>67,287</b>	<b>(19,860)</b>	<b>(2,642)</b>	<b>44,785</b>	<b>23,368</b>	<b>21,417</b>
<b>Reclassification</b>						
Discontinued operation	1,568	(1)	(1,567)	-	-	-
<b>Adjustments</b>						
1a Positive goodwill	282	-	-	282	141	141
1b Negative goodwill	(531)	-	-	(531)	(531)	-
2 Share based payment	(898)	222	-	(676)	(502)	(174)
3 Employee benefits	35	-	-	35	(2,519)	2,554
4 Accounting for joint venture	185	-	286	471	-	471
Total IFRS adjustments	(927)	222	286	(419)	(3,411)	2,992
<b>IFRS</b>	<b>67,928</b>	<b>(19,639)</b>	<b>(3,923)</b>	<b>44,366</b>	<b>19,957</b>	<b>24,409</b>

The impact on total equity (and net assets) at 31 December 2004, 30 June 2004 and 31 December 2003 is shown in the table below.

	31 December 2004	30 June 2004	31 December 2003
	Total equity	Total equity	Total equity
	£'000	£'000	£'000
<b>UK GAAP</b>	<b>(315,138)</b>	<b>(300,287)</b>	<b>(282,883)</b>
<b>Reclassification</b>			
Discontinued operation	-	-	-
<b>Adjustments</b>			
1a Positive goodwill	(282)	(141)	-
1b Negative goodwill	-	-	(531)
2 Share based payment	(461)	(325)	(330)
3 Employee benefits	883	3,437	918
4 Accounting for joint venture	(471)	-	-
5 Proposed dividend	(9,785)	(4,316)	(9,236)
Total IFRS adjustments	(10,116)	(1,345)	(9,179)
<b>IFRS</b>	<b>(325,254)</b>	<b>(301,632)</b>	<b>(292,062)</b>

Detailed reconciliation information for the relevant 2004 primary statements is provided later in this document.

## Summary of IFRS impact (continued)

The introduction of IFRS has no impact on the underlying cash flows of the business.

From 1 January 2005, the application of IAS 32 'Financial instruments : disclosure and presentation' and IAS 39 'Financial instruments : recognition and measurement' will affect the financial statements of the Group, the most material changes on adoption, which are explained further on page 11, will be due to non-recourse financing and hedge accounting on foreign currency forward contracts.

## Basis of preparation

### Statement of compliance

These extracts of the unaudited financial statements of Computacenter plc have been prepared, for the first time, in accordance with IFRS and are covered by IFRS 1 'First-time adoption of IFRS'. They have been prepared in accordance with those IFRS standards issued and effective as at the time of preparing these statements, and have been applied retrospectively except where certain exceptions apply.

As listed companies are adopting IFRS for the first time, there is limited established practice upon which to draw in matters of interpretation and application. Furthermore, it is possible that new standards, revisions to existing standards and new interpretations may be issued which affect the Group. Consequently it is not possible at this stage to definitively quantify the impact of the adoption of IFRS, and therefore the comparative information in the 2005 interim and annual reports may differ from that presented in this document.

### IFRS 1 'First-time adoption of international financial reporting standards'

The Group has adopted IFRS 1 'First-time adoption of international financial reporting standards' and has applied the following optional IFRS 1 exemptions:

#### *IFRS 3 'Business combinations'*

Business combinations prior to 1 January 2004 have not been restated to comply with IFRS 3.

#### *IAS 21 - 'The effects of changes in foreign exchange rates'*

Under IAS 21, exchange differences arising on the retranslation are taken directly to a separate component of equity. The Group has elected, under the provisions of IFRS 1, to set the historic translation differences on foreign subsidiaries to zero.

#### *IFRS 2 'Share based payments'*

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

#### *IAS 32 'Financial instruments : disclosure and presentation' and IAS 39 'Financial instruments recognition and measurement'*

The Group has taken advantage of the transitional provisions of IAS 32 and IAS 39 and has not adopted these two standards early. They will be adopted from 1 January 2005. The comparative information for 2004 has not been restated from UK GAAP to IFRS.

More details are provided in the "Explanatory notes on the impact of IFRS" and "Principal accounting policies" sections.

## Consolidated income statement, prepared under IFRS (unaudited)

(i) Year Ended 31 December 2004

	<b>UK GAAP profit and loss account</b> £'000	<i>Reclass discon- tinued operation</i> £'000	<i>Other IFRS adjustments</i> £'000	<b>IFRS income statement</b> £'000
<b>Continuing operations</b>				
Revenue	2,455,752	(45,162)	-	2,410,590
Cost of sales	(2,120,351)	39,959	-	(2,080,392)
Gross profit	335,401	(5,203)	-	330,198
Distribution costs	(20,759)	133	-	(20,626)
Administrative expenses	(248,899)	6,617	(1,112)	(243,394)
Profit from continuing operations before tax and finance costs	65,743	1,547	(1,112)	66,178
Finance costs	(3,573)	36	-	(3,537)
Finance income	5,262	(15)	-	5,247
Share of loss of joint venture	(411)	-	185	(226)
Share of profit of associate	266	-	-	266
Profit before tax	67,287	1,568	(927)	67,928
Income tax expense	(19,860)	(1)	222	(19,639)
Profit for the year from continuing operations	47,427	1,567	(705)	48,289
Discontinued operation				
Loss for the year from discontinued operation	(2,356)	(1,567)	-	(3,923)
Net loss on investment in joint venture	(286)	-	286	-
Profit for the year	44,785	-	(419)	44,366
Attributable to:				
Equity holders of the parent	44,854	-	(419)	44,435
Minority interests	(69)	-	-	(69)
	44,785	-	(419)	44,366
Earnings per share				
– basic for profit for the year	24.1p		-0.3p	23.8p
– basic for profit from continuing operations	25.5p		0.4p	25.9p
– diluted for profit for the year	23.7p		-0.2p	23.5p
– diluted for profit from continuing operations	25.1p		0.5p	25.6p

## Consolidated income statement, prepared under IFRS (unaudited)

(ii) Period Ended 30 June 2004

	<b>UK GAAP profit and loss account</b>	<i>Reclass discon- tinued operation</i>	<i>Other IFRS adjustments</i>	<b>IFRS income statement</b>
<b>Continuing operations</b>				
Revenue	1,254,918	(25,977)	-	1,228,941
Cost of sales	(1,083,683)	22,862	-	(1,060,821)
Gross profit	171,235	(3,115)	-	168,120
Distribution costs	(9,953)	85	-	(9,868)
Administrative expenses	(128,247)	3,313	(3,459)	(128,393)
Profit from continuing operations before tax and finance costs	33,035	283	(3,459)	29,859
Finance costs	(1,743)	21	-	(1,722)
Finance income	1,996	(1)	-	1,995
Share of loss of joint venture	(205)	-	-	(205)
Share of profit of associate	135	-	-	135
Profit before tax	33,218	303	(3,459)	30,062
Income tax expense	(9,850)	1	48	(9,801)
Profit for the year from continuing operations	23,368	304	(3,411)	20,261
Discontinued operation				
Loss for the year from discontinued operation	-	(304)	-	(304)
Net loss on investment in joint venture	-	-	-	-
Profit for the year	23,368	-	(3,411)	19,957
Attributable to:				
Equity holders of the parent	23,338	-	(3,411)	19,927
Minority interests	30	-	-	30
	23,368	-	(3,411)	19,957
Earnings per share				
– basic for profit for the year	12.6p		-1.9p	10.7p
– basic for profit from continuing operations	12.7p		-1.8p	10.9p
– diluted for profit for the year	12.3p		-1.8p	10.5p
– diluted for profit from continuing operations	12.5p		-1.8p	10.7p

## Consolidated balance sheet, prepared under IFRS (unaudited)

(i) As at 31 December 2004

<b>UK GAAP balance sheet</b>	<i>Reclass discon- tinued operation</i>	<i>Other IFRS adjustments</i>	<b>IFRS balance sheet</b>	
£'000	£'000	£'000	£'000	
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	93,430	(349)	(3,167)	89,914
Intangible assets	4,474	-	3,449	7,923
Investment in a joint venture	5,648	-	(5,648)	-
Investment in an associate	373	-	-	373
Deferred income tax assets	1,433	-	53	1,486
	105,358	(349)	(5,313)	99,696
<b>Current assets</b>				
Inventories	120,087	(1,173)	-	118,914
Trade and other receivables :gross	444,512	(6,060)	-	438,452
Less : non-returnable proceeds	(39,043)	-	-	(39,043)
Trade and other receivables	405,469	(6,060)	-	399,409
Prepayments	55,797	(662)	-	55,135
Cash and short-term deposits	139,182	(964)	-	138,218
	720,535	(8,859)	-	711,676
Non-current assets classified as held for sale	-	9,208	-	9,208
<b>TOTAL ASSETS</b>	<b>825,893</b>	<b>-</b>	<b>(5,313)</b>	<b>820,580</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Issued capital	(9,489)	-	-	(9,489)
Share premium	(73,920)	-	-	(73,920)
Capital redemption reserve	(100)	-	-	(100)
Investment in own shares	2,503	-	-	2,503
Other reserves	-	-	904	904
Amounts recognised directly in equity relating to non-current assets held for sale	-	-	7	7
Retained earnings	(234,086)	-	(11,027)	(245,113)
	(315,092)	-	(10,116)	(325,208)
Minority interest	(46)	-	-	(46)
<b>TOTAL EQUITY</b>	<b>(315,138)</b>	<b>-</b>	<b>(10,116)</b>	<b>(325,254)</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	(429)	-	-	(429)
Provisions	(15,233)	-	-	(15,233)
Other non-current liabilities	(2,691)	-	-	(2,691)
Deferred income tax liabilities	(1,455)	-	-	(1,455)
	(19,808)	-	-	(19,808)
<b>Current liabilities</b>				
Trade and other payables	(311,344)	5,306	(926)	(306,964)
Deferred income	(90,665)	1,582	-	(89,083)
Interest-bearing loans and borrowings	(58,706)	-	-	(58,706)
Income tax payable	(11,927)	-	408	(11,519)
Dividend payable	(9,828)	-	9,828	-
Provision for joint venture deficit	(6,119)	-	6,119	-
Provisions	(2,358)	-	-	(2,358)
	(490,947)	6,888	15,429	(468,630)
Liabilities directly associated with non-current assets classified as held for sale	-	(6,888)	-	(6,888)
<b>TOTAL LIABILITIES</b>	<b>(510,755)</b>	<b>-</b>	<b>15,429</b>	<b>(495,326)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(825,893)</b>	<b>-</b>	<b>5,313</b>	<b>(820,580)</b>

## Consolidated balance sheet, prepared under IFRS (unaudited)

(ii) As at 30 June 2004

	UK GAAP balance sheet £'000	Reclass discon- tinued operation £'000	Other IFRS adjustments £'000	IFRS balance sheet £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	94,925	(393)	(2,077)	92,455
Intangible assets	4,646	-	2,218	6,864
Investment in a joint venture	7,450	-	(7,430)	20
Investment in an associate	649	-	-	649
Listed investment	3,047	-	-	3,047
Deferred income tax assets	3,086	-	21	3,107
	113,803	(393)	(7,268)	106,142
<b>Current assets</b>				
Inventories	121,005	(1,095)	-	119,910
Trade and other receivables :gross	422,144	(5,540)	-	416,604
Less : non-returnable proceeds	(55,643)	-	-	(55,643)
Trade and other receivables	366,501	(5,540)	-	360,961
Prepayments	60,499	(451)	-	60,048
Cash and short-term deposits	101,032	(1,705)	-	99,327
	649,037	(8,791)	-	640,246
Non-current assets classified as held for sale	-	9,184	-	9,184
<b>TOTAL ASSETS</b>	<b>762,840</b>	<b>-</b>	<b>(7,268)</b>	<b>755,572</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Issued capital	(9,447)	-	-	(9,447)
Share premium	(71,778)	-	-	(71,778)
Capital redemption reserve	(100)	-	-	(100)
Investment in own shares	2,503	-	-	2,503
Amounts recognised directly in equity relating to non-current assets held for sale	-	-	85	85
Other reserves	-	-	1,860	1,860
Retained earnings	(221,382)	-	(3,290)	(224,672)
	(300,204)	-	(1,345)	(301,549)
Minority interest	(83)	-	-	(83)
<b>TOTAL EQUITY</b>	<b>(300,287)</b>	<b>-</b>	<b>(1,345)</b>	<b>(301,632)</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	(326)	-	-	(326)
Provisions	(14,628)	-	-	(14,628)
Other non-current liabilities	(3,221)	-	-	(3,221)
Deferred income tax liabilities	(1,667)	-	-	(1,667)
	(19,842)	-	-	(19,842)
<b>Current liabilities</b>				
Trade and other payables	(302,108)	7,342	(3,422)	(298,188)
Deferred income	(79,834)	-	-	(79,834)
Interest-bearing loans and borrowings	(38,279)	-	-	(38,279)
Income tax payable	(9,092)	-	304	(8,788)
Dividend payable	(4,301)	-	4,301	-
Provision for joint venture deficit	(7,430)	-	7,430	-
Provisions	(1,667)	-	-	(1,667)
	(442,711)	7,342	8,613	(426,756)
Liabilities directly associated with non-current assets classified as held for sale	-	(7,342)	-	(7,342)
<b>TOTAL LIABILITIES</b>	<b>(462,553)</b>	<b>-</b>	<b>8,613</b>	<b>(453,940)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(762,840)</b>	<b>-</b>	<b>7,268</b>	<b>(755,572)</b>

## Consolidated balance sheet, prepared under IFRS (unaudited)

(iii) As at 31 December 2003

	UK GAAP balance sheet £'000	Reclass discon- tinued operation £'000	Other IFRS adjustments £'000	IFRS balance sheet £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	100,549	(456)	(2,251)	97,842
Intangible assets	4,223	-	2,782	7,005
Investment in a joint venture	7,450	-	(7,224)	226
Investment in an associate	539	-	-	539
Listed investment	3,047	-	-	3,047
Deferred income tax assets	3,315	-	191	3,506
	119,123	(456)	(6,502)	112,165
<b>Current assets</b>				
Inventories	134,133	(1,343)	-	132,790
Trade and other receivables :gross	469,200	(5,635)	-	463,565
Less : non-returnable proceeds	(78,390)	-	-	(78,390)
Trade and other receivables	390,810	(5,635)	-	385,175
Prepayments	48,186	(440)	-	47,746
Cash and short-term deposits	96,997	(1,511)	-	95,486
	670,126	(8,929)	-	661,197
Non-current assets classified as held for sale	-	9,385	-	9,385
<b>TOTAL ASSETS</b>	<b>789,249</b>	<b>-</b>	<b>(6,502)</b>	<b>782,747</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent</b>				
Issued capital	(9,441)	-	-	(9,441)
Share premium	(71,486)	-	-	(71,486)
Capital redemption reserve	(100)	-	-	(100)
Investment in own shares	2,503	-	-	2,503
Other reserves	-	-	-	-
Amounts recognised directly in equity relating to non-current assets held for sale	-	-	-	-
Retained earnings	(204,244)	-	(9,179)	(213,423)
	(282,768)	-	(9,179)	(291,947)
Minority interest	(115)	-	-	(115)
<b>TOTAL EQUITY</b>	<b>(282,883)</b>	<b>-</b>	<b>(9,179)</b>	<b>(292,062)</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	(326)	-	-	(326)
Provisions	(15,100)	-	-	(15,100)
Other non-current liabilities	(13,597)	-	-	(13,597)
Deferred income tax liabilities	(1,668)	-	-	(1,668)
	(30,691)	-	-	(30,691)
<b>Current liabilities</b>				
Trade and other payables	(326,800)	7,136	(972)	(320,636)
Deferred income	(78,179)	-	-	(78,179)
Interest-bearing loans and borrowings	(46,746)	-	-	(46,746)
Income tax payable	(5,801)	-	139	(5,662)
Dividend payable	(9,290)	-	9,290	-
Provision for joint venture deficit	(7,224)	-	7,224	-
Provisions	(1,635)	-	-	(1,635)
	(475,675)	7,136	15,681	(452,858)
Liabilities directly associated with non-current assets classified as held for sale	-	(7,136)	-	(7,136)
<b>TOTAL LIABILITIES</b>	<b>(506,366)</b>	<b>-</b>	<b>15,681</b>	<b>(490,685)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(789,249)</b>	<b>-</b>	<b>6,502</b>	<b>(782,747)</b>

## Explanatory notes on the impact of IFRS

The notes below explain the impact that the adoption of IFRS has had on the Group's consolidated results, which is summarised on pages 5 to 9. These notes also support the detailed UK GAAP to IFRS reconciliations on pages 12 to 16. In addition to the adjustments below, details of the Group's IFRS 1 elections have been summarised on page 4.

### *Discontinued operation*

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

### *Other adjustments*

#### *1) IFRS 3 - Business combinations; IAS 36 - Impairment of assets; IAS 38 - Intangible assets*

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

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

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

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

#### *2) IFRS 2 - Share-based payment*

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

The effect of the revised policy has decreased consolidated 2004 profit before tax by £898,000, and half year profits by £550,000 due to an increase in the employee benefits expense with a corresponding increase in equity which is taken to retained earnings. A corresponding deferred tax movement has also been accounted for.

#### *3) IAS 19 - Employee benefits*

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

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

#### *4) IAS 31 - Interest in joint venture*

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

During the second half of 2004 the Group's holding in its joint venture was diluted, and its share of the losses exceeded the Group's net investment. Under UK GAAP the Group was required to continue recognising its share of the losses even though this resulted in a net negative amount in the balance

## Explanatory notes on the impact of IFRS (continued)

sheet. Under IFRS the Group only recognises its share of the losses up until the point that its net investment is reduced to zero. This has resulted in £185,000 of losses and an exceptional charge of £286,000 in respect of the dilution in the Group's holding, both of which were recognised under UK GAAP, not being recognised under IFRS.

### 5) IAS 10 – Events after the balance sheet date

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

### 6) IAS 38 – Intangible assets

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

### 7) IAS 21 - The effects of changes in foreign exchange rates

From 1 January 2004, foreign currency translation differences are pulled into a separate reserve. As stated on page 4, the Group has elected, under the provisions of IFRS 1, to set the historic translation differences on foreign subsidiaries to zero.

## Additional changes from 1 January 2005

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

The Group has taken advantage of the transitional provisions of IAS 32 and IAS 39 and has not adopted these two standards early. They will be adopted from 1 January 2005. The comparative information for 2004 has not been restated from UK GAAP to IFRS.

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

### Non-recourse financing

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

### Forward currency contracts

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

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

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

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

## Reconciliation of consolidated income statement

### (i) For the year ended 31 December 2004

	UK GAAP profit and loss account £'000	Reclass discon- tinued operation £'000	1a Positive goodwill £'000	1b Negative goodwill £'000	2 Share based payment £'000	3 Employee benefits £'000	4 Accounting for joint venture £'000	Other IFRS adjustments £'000	IFRS income statement £'000
<b>Continuing operations</b>									
Revenue	2,455,752	(45,162)	-	-	-	-	-	-	2,410,590
Cost of sales	(2,120,351)	39,959	-	-	-	-	-	-	(2,080,392)
Gross profit	335,401	(5,203)	-	-	-	-	-	-	330,198
Distribution costs	(20,759)	133	-	-	-	-	-	-	(20,626)
Administrative expenses	(248,899)	6,617	282	(531)	(898)	35	-	(1,112)	(243,394)
Profit from continuing operations before tax and finance costs	65,743	1,547	282	(531)	(898)	35	-	(1,112)	66,178
Finance costs	(3,573)	36	-	-	-	-	-	-	(3,537)
Finance income	5,262	(15)	-	-	-	-	-	-	5,247
Share of loss of joint venture	(411)	-	-	-	-	-	185	185	(226)
Share of profit of associate	266	-	-	-	-	-	-	-	266
Profit before tax	67,287	1,568	282	(531)	(898)	35	185	(927)	67,928
Income tax expense	(19,860)	(1)	-	-	222	-	-	222	(19,639)
Profit for the year from continuing operations	47,427	1,567	282	(531)	(676)	35	185	(705)	48,289
Discontinued operation									
Loss for the year from discontinued operation	(2,356)	(1,567)	-	-	-	-	-	-	(3,923)
Net loss on investment in joint venture	(286)	-	-	-	-	-	286	286	-
Profit for the year	44,785	-	282	(531)	(676)	35	471	(419)	44,366
Attributable to:									
Equity holders of the parent	44,854	-	282	(531)	(676)	35	471	(419)	44,435
Minority interests	(69)	-	-	-	-	-	-	-	(69)
	44,785	-	282	(531)	(676)	35	471	(419)	44,366
Earnings per share									
- basic for profit for the year	24.1p							-0.3p	23.8p
- basic for profit from continuing operations	25.5p							0.4p	25.9p
- diluted for profit for the year	23.7p							-0.2p	23.5p
- diluted for profit from continuing operations	25.1p							0.5p	25.6p

## Reconciliation of consolidated income statement

### (ii) For the six months ended 30 June 2004

	UK GAAP profit and loss account	Reclass discon- tinued operation	1a Positive goodwill	1b Negative goodwill	2 Share based payment	3 Employee benefits	4 Accounting for joint venture	Other IFRS adjustments	IFRS income statement
<b>Continuing operations</b>									
Revenue	1,254,918	(25,977)	-	-	-	-	-	-	1,228,941
Cost of sales	(1,083,683)	22,862	-	-	-	-	-	-	(1,060,821)
Gross profit	171,235	(3,115)	-	-	-	-	-	-	168,120
Distribution costs	(9,953)	85	-	-	-	-	-	-	(9,868)
Administrative expenses	(128,247)	3,313	141	(531)	(550)	(2,519)	-	(3,459)	(128,393)
Profit from continuing operations before tax and finance costs	33,035	283	141	(531)	(550)	(2,519)	-	(3,459)	29,859
Finance costs	(1,743)	21	-	-	-	-	-	-	(1,722)
Finance income	1,996	(1)	-	-	-	-	-	-	1,995
Share of loss of joint venture	(205)	-	-	-	-	-	-	-	(205)
Share of profit of associate	135	-	-	-	-	-	-	-	135
Profit before tax	33,218	303	141	(531)	(550)	(2,519)	-	(3,459)	30,062
Income tax expense	(9,850)	1	-	-	48	-	-	48	(9,801)
Profit for the year from continuing operations	23,368	304	141	(531)	(502)	(2,519)	-	(3,411)	20,261
Discontinued operation									
Loss for the year from discontinued operation	-	(304)	-	-	-	-	-	-	(304)
Net loss on investment in joint venture	-	-	-	-	-	-	-	-	-
Profit for the year	23,368	-	141	(531)	(502)	(2,519)	-	(3,411)	19,957
Attributable to:									
Equity holders of the parent	23,338	-	141	(531)	(502)	(2,519)	-	(3,411)	19,927
Minority interests	30	-	-	-	-	-	-	-	30
	23,368	-	141	(531)	(502)	(2,519)	-	(3,411)	19,957
Earnings per share									
– basic for profit for the year	12.6p							-1.9p	10.7p
– basic for profit from continuing operations	12.7p							-1.8p	10.9p
– diluted for profit for the year	12.3p							-1.8p	10.5p
– diluted for profit from continuing operations	12.5p							-1.8p	10.7p

## Reconciliation of consolidated balance sheet

### (i) As at 31 December 2004

UK GAAP balance sheet £'000	Reclass discon- tinued operation	1a Positive goodwill £'000	1b Negative goodwill £'000	2 Share based payment £'000	3 Employee benefits £'000	4 Accounting for joint venture £'000	5 Proposed dividend £'000	6 Reclass of software to intangibles £'000	7 Other £'000	Other IFRS adjustments £'000	IFRS balance sheet £'000
<b>ASSETS</b>											
<b>Non-current assets</b>											
Property, plant and equipment	93,430	(349)	-	-	-	-	-	(3,167)	-	(3,167)	89,914
Intangible assets	4,474	-	282	-	-	-	-	3,167	-	3,449	7,923
Investment in a joint venture	5,648	-	-	-	-	(5,648)	-	-	-	(5,648)	-
Investment in an associate	373	-	-	-	-	-	-	-	-	-	373
Deferred income tax assets	1,433	-	-	53	-	-	-	-	-	53	1,486
	105,358	(349)	282	-	53	(5,648)	-	-	-	(5,313)	99,696
<b>Current assets</b>											
Inventories	120,087	(1,173)	-	-	-	-	-	-	-	-	118,914
Trade and other receivables :gross	444,512	(6,060)	-	-	-	-	-	-	-	-	438,452
Less : non-returnable proceeds	(39,043)	-	-	-	-	-	-	-	-	-	(39,043)
Trade and other receivables	405,469	(6,060)	-	-	-	-	-	-	-	-	399,409
Prepayments	55,797	(662)	-	-	-	-	-	-	-	-	55,135
Cash and short-term deposits	139,182	(964)	-	-	-	-	-	-	-	-	138,218
	720,535	(8,859)	-	-	-	-	-	-	-	-	711,676
Non-current assets classified as held for sale	-	9,208	-	-	-	-	-	-	-	-	9,208
<b>TOTAL ASSETS</b>	<b>825,893</b>	<b>-</b>	<b>282</b>	<b>-</b>	<b>53</b>	<b>(5,648)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,313)</b>	<b>820,580</b>
<b>EQUITY AND LIABILITIES</b>											
<b>Equity attributable to equity holders of the parent</b>											
Issued capital	(9,489)	-	-	-	-	-	-	-	-	-	(9,489)
Share premium	(73,920)	-	-	-	-	-	-	-	-	-	(73,920)
Capital redemption reserve	(100)	-	-	-	-	-	-	-	-	-	(100)
Investment in own shares	2,503	-	-	-	-	-	-	-	-	-	2,503
Other reserves	-	-	-	-	-	-	-	-	904	904	904
Amounts recognised directly in equity relating to non-current assets held for sale	-	-	-	-	-	-	-	-	7	7	7
Retained earnings	(234,086)	-	(282)	(461)	883	(471)	(9,785)	-	(911)	(11,027)	(245,113)
	(315,092)	-	(282)	(461)	883	(471)	(9,785)	-	-	(10,116)	(325,208)
Minority interest	(46)	-	-	-	-	-	-	-	-	-	(46)
<b>TOTAL EQUITY</b>	<b>(315,138)</b>	<b>-</b>	<b>(282)</b>	<b>(461)</b>	<b>883</b>	<b>(471)</b>	<b>(9,785)</b>	<b>-</b>	<b>-</b>	<b>(10,116)</b>	<b>(325,254)</b>
<b>Non-current liabilities</b>											
Interest-bearing loans and borrowings	(429)	-	-	-	-	-	-	-	-	-	(429)
Provisions	(15,233)	-	-	-	-	-	-	-	-	-	(15,233)
Other non-current liabilities	(2,691)	-	-	-	-	-	-	-	-	-	(2,691)
Deferred income tax liabilities	(1,455)	-	-	-	-	-	-	-	-	-	(1,455)
	(19,808)	-	-	-	-	-	-	-	-	-	(19,808)
<b>Current liabilities</b>											
Trade and other payables	(311,344)	5,306	-	-	(883)	-	(43)	-	-	(926)	(306,964)
Deferred income	(90,665)	1,582	-	-	-	-	-	-	-	-	(89,083)
Interest-bearing loans and borrowings	(58,706)	-	-	-	-	-	-	-	-	-	(58,706)
Income tax payable	(11,927)	-	-	408	-	-	-	-	-	408	(11,519)
Dividend payable	(9,828)	-	-	-	-	-	9,828	-	-	9,828	-
Provision for joint venture deficit	(6,119)	-	-	-	-	6,119	-	-	-	6,119	-
Provisions	(2,358)	-	-	-	-	-	-	-	-	-	(2,358)
	(490,947)	6,888	-	408	(883)	6,119	9,785	-	-	15,429	(468,630)
Liabilities directly associated with non-current assets classified as held for sale	-	(6,888)	-	-	-	-	-	-	-	-	(6,888)
<b>TOTAL LIABILITIES</b>	<b>(510,755)</b>	<b>-</b>	<b>-</b>	<b>408</b>	<b>(883)</b>	<b>6,119</b>	<b>9,785</b>	<b>-</b>	<b>-</b>	<b>15,429</b>	<b>(495,326)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(825,893)</b>	<b>-</b>	<b>(282)</b>	<b>(53)</b>	<b>-</b>	<b>5,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,313</b>	<b>(820,580)</b>

## Reconciliation of consolidated balance sheet

### (ii) As at 30 June 2004

UK GAAP balance sheet £'000	Reclass discon- tinued operation £'000	1a Positive goodwill £'000	1b Negative goodwill £'000	2 Share based payment £'000	3 Employee benefits £'000	4 Accounting for joint venture £'000	5 Proposed dividend £'000	6 Reclass of software to intangibles £'000	7 Other £'000	Other IFRS adjustments £'000	IFRS balance sheet £'000
<b>ASSETS</b>											
<b>Non-current assets</b>											
Property, plant and equipment	94,925	(393)	-	-	-	-	-	(2,077)	-	(2,077)	92,455
Intangible assets	4,646	-	141	-	-	-	-	2,077	-	2,218	6,864
Investment in a joint venture	7,450	-	-	-	-	(7,430)	-	-	-	(7,430)	20
Investment in an associate	649	-	-	-	-	-	-	-	-	-	649
Listed investment	3,047	-	-	-	-	-	-	-	-	-	3,047
Deferred income tax assets	3,086	-	-	21	-	-	-	-	-	21	3,107
	113,803	(393)	141	-	21	(7,430)	-	-	-	(7,268)	106,142
<b>Current assets</b>											
Inventories	121,005	(1,095)	-	-	-	-	-	-	-	-	119,910
Trade and other receivables :gross	422,144	(5,540)	-	-	-	-	-	-	-	-	416,604
Less : non-returnable proceeds	(55,643)	-	-	-	-	-	-	-	-	-	(55,643)
Trade and other receivables	366,501	(5,540)	-	-	-	-	-	-	-	-	360,961
Prepayments	60,499	(451)	-	-	-	-	-	-	-	-	60,048
Cash and short-term deposits	101,032	(1,705)	-	-	-	-	-	-	-	-	99,327
	649,037	(8,791)	-	-	-	-	-	-	-	-	640,246
Non-current assets classified as held for sale	-	9,184	-	-	-	-	-	-	-	-	9,184
<b>TOTAL ASSETS</b>	<b>762,840</b>	<b>-</b>	<b>141</b>	<b>-</b>	<b>21</b>	<b>(7,430)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,268)</b>	<b>755,572</b>
<b>EQUITY AND LIABILITIES</b>											
<b>Equity attributable to equity holders of the parent</b>											
Issued capital	(9,447)	-	-	-	-	-	-	-	-	-	(9,447)
Share premium	(71,778)	-	-	-	-	-	-	-	-	-	(71,778)
Capital redemption reserve	(100)	-	-	-	-	-	-	-	-	-	(100)
Investment in own shares	2,503	-	-	-	-	-	-	-	-	-	2,503
Amounts recognised directly in equity relating to non-current assets held for sale	-	-	-	-	-	-	-	-	85	85	85
Other reserves	-	-	-	-	-	-	-	-	1,860	1,860	1,860
Retained earnings	(221,382)	-	(141)	(325)	3,437	(4,316)	(1,945)	(3,290)	(3,290)	(224,672)	
	(300,204)	-	(141)	(325)	3,437	(4,316)	-	(1,345)	(1,345)	(301,549)	
Minority interest	(83)	-	-	-	-	-	-	-	-	-	(83)
<b>TOTAL EQUITY</b>	<b>(300,287)</b>	<b>-</b>	<b>(141)</b>	<b>(325)</b>	<b>3,437</b>	<b>(4,316)</b>	<b>-</b>	<b>(1,345)</b>	<b>-</b>	<b>(1,345)</b>	<b>(301,632)</b>
<b>Non-current liabilities</b>											
Interest-bearing loans and borrowings	(326)	-	-	-	-	-	-	-	-	-	(326)
Provisions	(14,628)	-	-	-	-	-	-	-	-	-	(14,628)
Other non-current liabilities	(3,221)	-	-	-	-	-	-	-	-	-	(3,221)
Deferred income tax liabilities	(1,667)	-	-	-	-	-	-	-	-	-	(1,667)
	(19,842)	-	-	-	-	-	-	-	-	-	(19,842)
<b>Current liabilities</b>											
Trade and other payables	(302,108)	7,342	-	-	(3,437)	-	15	-	-	(3,422)	(298,188)
Deferred income	(79,834)	-	-	-	-	-	-	-	-	-	(79,834)
Interest-bearing loans and borrowings	(38,279)	-	-	-	-	-	-	-	-	-	(38,279)
Income tax payable	(9,092)	-	-	304	-	-	-	-	-	304	(8,788)
Dividend payable	(4,301)	-	-	-	-	-	4,301	-	-	4,301	-
Provision for joint venture deficit	(7,430)	-	-	-	-	7,430	-	-	-	7,430	-
Provisions	(1,667)	-	-	-	-	-	-	-	-	-	(1,667)
	(442,711)	7,342	-	304	(3,437)	7,430	4,316	-	-	8,613	(426,756)
Liabilities directly associated with non-current assets classified as held for sale	-	(7,342)	-	-	-	-	-	-	-	-	(7,342)
<b>TOTAL LIABILITIES</b>	<b>(462,553)</b>	<b>-</b>	<b>-</b>	<b>304</b>	<b>(3,437)</b>	<b>7,430</b>	<b>4,316</b>	<b>-</b>	<b>-</b>	<b>8,613</b>	<b>(453,940)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(762,840)</b>	<b>-</b>	<b>(141)</b>	<b>(21)</b>	<b>-</b>	<b>7,430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,268</b>	<b>(755,572)</b>

## Reconciliation of consolidated balance sheet

(iii) As at 31 December 2003

UK GAAP Balance Sheet £'000	Reclass Discon- tinued Operation £'000	1a Positive Goodwill £'000	1b Negative Goodwill £'000	2 Share based payment £'000	3 Employee benefits £'000	4 Accounting for Joint Venture £'000	5 Proposed Dividend £'000	6 Reclass of software to intangibles £'000	7 Other £'000	Other IFRS Adjustments £'000	IFRS Balance Sheet £'000
<b>ASSETS</b>											
<b>Non-current assets</b>											
Property, plant and equipment	(456)	-	-	-	-	-	-	(2,251)	-	(2,251)	97,842
Intangible assets	-	-	531	-	-	-	-	2,251	-	2,782	7,005
Investment in a joint venture	-	-	-	-	-	(7,224)	-	-	-	(7,224)	226
Investment in an associate	-	-	-	-	-	-	-	-	-	-	539
Listed investment	-	-	-	-	-	-	-	-	-	-	3,047
Deferred income tax assets	-	-	-	191	-	-	-	-	-	191	3,506
	119,123	(456)	531	191	-	(7,224)	-	-	-	(6,502)	112,165
<b>Current assets</b>											
Inventories	(1,343)	-	-	-	-	-	-	-	-	-	132,790
Trade and other receivables :gross	(5,635)	-	-	-	-	-	-	-	-	-	463,565
Less : non-returnable proceeds	-	-	-	-	-	-	-	-	-	-	(78,390)
Trade and other receivables	(5,635)	-	-	-	-	-	-	-	-	-	385,175
Prepayments	(440)	-	-	-	-	-	-	-	-	-	47,746
Cash and short-term deposits	(1,511)	-	-	-	-	-	-	-	-	-	95,486
	670,126	(8,929)	-	-	-	-	-	-	-	-	661,197
Non-current assets classified as held for sale	9,385	-	-	-	-	-	-	-	-	-	9,385
<b>TOTAL ASSETS</b>	789,249	-	531	191	-	(7,224)	-	-	-	(6,502)	782,747
<b>EQUITY AND LIABILITIES</b>											
<b>Equity attributable to equity holders of the parent</b>											
Issued capital	-	-	-	-	-	-	-	-	-	-	(9,441)
Share premium	-	-	-	-	-	-	-	-	-	-	(71,486)
Capital redemption reserve	-	-	-	-	-	-	-	-	-	-	(100)
Investment in own shares	-	-	-	-	-	-	-	-	-	-	2,503
Other reserves	-	-	-	-	-	-	-	-	-	-	-
Amounts recognised directly in equity relating to non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	(531)	(330)	918	-	(9,236)	-	-	(9,179)	(213,423)
	(282,768)	-	(531)	(330)	918	-	(9,236)	-	-	(9,179)	(291,947)
Minority interest	-	-	-	-	-	-	-	-	-	-	(115)
<b>TOTAL EQUITY</b>	(282,883)	-	(531)	(330)	918	-	(9,236)	-	-	(9,179)	(292,062)
<b>Non-current liabilities</b>											
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-	(326)
Provisions	-	-	-	-	-	-	-	-	-	-	(15,100)
Other non-current liabilities	-	-	-	-	-	-	-	-	-	-	(13,597)
Deferred income tax liabilities	-	-	-	-	-	-	-	-	-	-	(1,668)
	(30,691)	-	-	-	-	-	-	-	-	-	(30,691)
<b>Current liabilities</b>											
Trade and other payables	7,136	-	-	-	(918)	-	(54)	-	-	(972)	(320,636)
Deferred income	-	-	-	-	-	-	-	-	-	-	(78,179)
Interest-bearing loans and borrowings	-	-	-	-	-	-	-	-	-	-	(46,746)
Income tax payable	-	-	-	139	-	-	-	-	-	139	(5,662)
Dividend payable	-	-	-	-	-	-	9,290	-	-	9,290	-
Provision for joint venture deficit	-	-	-	-	-	7,224	-	-	-	7,224	-
Provisions	-	-	-	-	-	-	-	-	-	-	(1,635)
	(475,675)	7,136	-	139	(918)	7,224	9,236	-	-	15,681	(452,858)
Liabilities directly associated with non-current assets classified as held for sale	(7,136)	-	-	-	-	-	-	-	-	-	(7,136)
<b>TOTAL LIABILITIES</b>	506,366	-	-	139	(918)	7,224	9,236	-	-	15,681	(490,685)
<b>TOTAL EQUITY AND LIABILITIES</b>	(789,249)	-	(531)	(191)	-	7,224	-	-	-	6,502	(782,747)

## Principal accounting policies

The principal accounting policies that the Group has applied in preparing the restated financial information under IFRS are set out below. These policies are expected to be used in preparation of the 2005 interim and annual reports, except for the changes to reflect the adoption of IAS 32 and IAS 39 from 1 January 2005, explained in more detail below.

### Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged. The consolidated financial statements are presented in sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

### Basis of consolidation

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

All inter-company balances and transactions have been eliminated in full.

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

Minority interests represent the interests in Computacenter France SA not held by the Group.

### Property, plant and equipment

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

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property, plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

## Principal accounting policies (continued)

### Leases

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

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

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

### Intangible assets

#### *Software and software licences*

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

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

#### *Goodwill*

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill already carried in the balance sheet is not amortised after 1 January 2004.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Interest in joint venture

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

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

## **Principal accounting policies (continued)**

### **Investment in an associate**

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

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

### **Investments**

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

After initial recognition, investments in equity shares are measured at their fair value with any gains or losses recognised in income. Their fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

### **Inventories**

Inventories are valued at the lower of average cost and net realisable value after making allowance for any obsolete or slow moving items.

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

### **Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

### **Cash and cash equivalents**

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

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

### **Interest-bearing borrowings**

All borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Borrowing costs are recognised as an expense when incurred.

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

### **Derecognition of financial instruments**

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

In line with the transitional guidance provided in IAS 32, IAS 39 and IFRS 1, the policies for derecognition of non-recourse financing that have been applied to 2004 financial statements are the same policies as applied under UK GAAP.

## Principal accounting policies (continued)

For the 2004 comparative numbers the Group has adopted the UK GAAP linked presentation of its non-recourse financing, in line with FRS 5 'Reporting the substance of transactions'. The gross debt, and non-returnable proceeds are disclosed on the face of the balance sheet within debtors.

### Derivative financial instruments

In line with the transitional guidance provided in IAS 32, IAS 39 and IFRS 1, the policies for derivative financial instruments that have been applied to 2004 financial statements are the same policies applied under UK GAAP.

#### Forward currency contracts

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations. The fair value of these derivative financial instruments are not recognised.

A financial asset or liability, where its risks have been effectively hedged, is recorded at the contract rate of the foreign currency forward contract.

### Foreign currency translation

The functional and presentation currency of Computacenter plc is pounds sterling (£). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

All differences are taken to the consolidated income statement with the exception of gains and losses on forward currency contracts that meet the criteria for treatment as a fair value hedge as described in the policy on Derivative Financial Instruments on page [x].

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

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

### Provisions

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

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

## Principal accounting policies (continued)

### Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised, except:

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

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

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

### Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### ***Technology sourcing***

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

#### ***Infrastructure integration***

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

## Principal accounting policies (continued)

### **Contracted managed services**

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

### **Pensions and other post-employment benefits**

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

### **Employee benefits**

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

### **Share-based payment transactions**

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

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the date at which they are granted. The fair value is determined by an appropriate valuation model further details of which are given in note [..]. In valuing equity-settled transactions, no account is taken of any performance conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Group at that date, based on the best available estimate of the number of equity instruments that will ultimately vest. As the awards do not have performance conditions attached to them which are market conditions no expense is recognised for awards that do not ultimately vest.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

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

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

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