Company Registration No. 1428210

Specialist Computer Centres plc

Report and Financial Statements

31 March 2011

REPORT AND FINANCIAL STATEMENTS 2011

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OFFICERS AND PROFESSIONAL ADVISERS FOR THE YEAR ENDED 31 MARCH 2011

DIRECTORS

Sir Peter Rigby
P A Rigby
J P Rigby
S P Rigby
J C Raybould
I P Scott
M J Swain
P A Swain
T Westall
P Everatt
J Bland

SECRETARY

O G Williams

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Birmingham
B3 2AS

AUDITOR

Deloitte LLP
Chartered Accountants & Statutory Auditors
Four Brindleyplace
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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2011

The directors present their annual report and the audited financial statements for the year ended 31 March 2011

PRINCIPAL ACTIVITIES

The principal activities of the company are the provision of systems integration services and products related to the large scale computing requirements of major UK organisations A significant proportion of the company's revenues and profit is generated from the provision of services

BUSINESS REVIEW

The company has had another successful year Despite the prevailing economic conditions, the company experienced revenue growth of over 15%, completed its investment in its new data centre, extended its capabilities in the provision of high end solutions through the acquisition of Kavanagh Systems Limited ("KSL") and continued to address and manage its overhead base

On 7 September 2010, the company acquired the entire issued share capital of Kavanagh Enterprises Limited ("KEL") and its wholly owned subsidiary KSL Through combining KSL's dedicated consulting team with its strong position around Cloud computing and on demand services, the company reinforces its leading position in data centre transformation On 1 November 2010, the trade and assets of KSL were transferred to the company The trade contributed £12 0m to the company's turnover in the period to 31 March 2011

On 14 January 2011, the company acquired the entire issued share capital of Technical Support Group Limited ("TSG") TSG is a managed print services provider which will expand the company's activities on this sector

Turnover growth arose primarily from higher product sales Service revenues also grew such that they remain at the target level of 20% of total turnover

Due to the competitive market, the company's gross profit margins reduced to 13% from 14% in the prior year

Overheads for the year were impacted by the increased cost base arising from the acquisition of Kavanagh (£2 6m) and the reallocation of £2 0m of costs previously recognised in Specialist Computer Holdings (UK) plc, another group undertaking The transfer of management of these functions to the company is expected to drive cost improvements for the group

Exceptional costs included a charge of £0 7m arising from the impairment of the company's investment in KEL subsequent to the transfer of trade assets and liabilities of KSL to the company This exceptional charge is more than offset by the dividend received from KEL of £1 1m, included in other operating income

During the year, the company completed a £11 8m investment in a data centre which is now operational The initial and subsequent sales pipeline is excellent and targets for the coming financial year are expected to be achieved

The data centre is technology smart, eco friendly, Tier 3 capable, government security rated and ISO27001 accredited, with its own independent Network Operations Centre The new data centre gives the company the advantages of flexibility and scalability inherent in operating a dual data centre network, allowing it to offer customers high speed and highly secure access to data replication and disaster recovery capabilities, alongside a range of market leading hosted services including co-location, fully managed services, Technology as a Service (TaaS) and Software as a Service (SaaS)

The balance sheet on page 9 of the financial statements show a net asset and cash position consistent with the prior year

Debtors are higher at the end of the year compared to the prior year end as a result of the very high turnover in March Days Sales Outstanding improved from 37 2 days to 36 6 days at the end of March with the average monthly performance improving from 43 days to 41 days

Detail of the amounts owed to the other group companies are set out in note 16 of the financial statements

The directors have declared and paid a final dividend £7 (2010 - £8) per ordinary share

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Key Performance Indicators

The company produces detailed management reports and accounts on a monthly basis and a number of Key Performance Indicators ("KPI's") are an integral part of this process The monthly management reports and accounts focus on the actual performance of the business compared to the budget set for the current financial year and the comparable period of the previous financial year

The financial KPI's that are a part of this review process include turnover change, gross profit percentage, overhead costs as a percentage of sales and pre-tax return on sales Working capital measurement includes inventory days, trade receivable days outstanding, overdue trade receivables and trade creditor days

Non-financial measures include employee turnover, employee numbers and sales revenue per employee In addition, a significant number of other operational KPI's are monitored in relation to the company's performance in respect of contractual arrangements with both customers and suppliers

The table below sets out the key KPI's

KPI	**2011**	**2010**
Turnover growth (decline)[1]	15 5%	(4 3%)
Gross profit percentage[2]	12 8%	14 1%
Overhead costs percentage[3]	11 9%	12 4%
Return on sales[4]	1 1%	1.6%
Revenue per employee (£'000)[5]	303	258

1 Turnover growth (decline) measures the change in turnover from continuing operations
2 Gross profit percentage is defined as gross profit from continuing operations expressed as a percentage of turnover from continuing operations
3 Overhead costs percentage is defined as the aggregate of distribution costs and administrative expenses excluding exceptional items expressed as a percentage of turnover from continuing operations
4 Return on sales is defined as the profit before taxation and exceptional items from continuing operations expressed as a percentage of turnover from continuing operations
5 Revenue per employee is defined as turnover divided by the average number of employees throughout the year

The company is a wholly owned subsidiary of Specialist Computer Holdings plc ("SCH") and the performance of the SCH group is set out in more detail in the Chairman's statement and Directors' Report of that company

On 23 September 2010 the entire issued share capital of SCH was acquired by Specialist Direct Limited On 24 September 2010, Specialist Direct Limited changed its name to Rigby Family Holdings Limited

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressures in the UK market where the company produces almost all of its revenue represent a continuing risk The company benefits from a number of long standing relationships with many substantial suppliers and customers All these relationships are the focus of significant management attention at all levels in the organisation to minimise any adverse impact on the financial performance of the company

The company's sales are primarily denominated in Sterling and associated costs relating to the revenue are substantially in the same currency Due to the nature of the company's business, the only significant financial risks the directors consider relevant are the credit and liquidity risks

These are mitigated as follows

Credit risk

The company's principal financial assets are cash and trade debtors The credit risk associated with cash balances is limited as the counter parties have high credit ratings assigned by international credit-rating agencies The principal credit risk arises therefore from its trade debtors

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references Credit limits are reviewed by the credit control function on a regular basis in conjunction with debt ageing and collection history A significant proportion of trade debtors are also covered by credit insurance

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Liquidity and funding risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash asset safely and profitability

The company and the SCH group has one principal source of external funding in the UK, which has a maturity date in December 2012

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements

ENVIRONMENT

The company recognises the importance of its environmental responsibilities in all the markets in which it operates In all activities, working practices, and business relationships, the company continuously works towards protecting, conserving and enhancing all aspects of the environment In order to achieve these objectives, the company seeks to always meet the necessary regulatory requirements and continues to raise awareness of all employees to environmental issues The company will always seek to minimise any impact on the environment through appropriate schemes, such as recycling, and manage all sites in an environmentally sensitive manner The company has put in place the necessary systems to manage, control and monitor performance in respect of environmental matters

DIRECTORS

The directors who served during the year and subsequently were as follows

Sir Peter Rigby
P A Rigby
J P Rigby
S P Rigby
J C Raybould
P Everatt
I P Scott
M J Swain
P A Swain
T Westall
J Bland

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

SUPPLIER PAYMENT POLICY

The company's policy is to settle terms of payments with suppliers when agreeing the terms of each transaction, ensure the suppliers are made aware of the terms of payment and abide by the terms of payment Trade creditors of the company at 31 March 2011 were equivalent to 49 days' (2010 - 41 days') purchases, based on the average daily amount invoiced by suppliers

DIRECTORS' REPORT (continued)

CHARITABLE CONTRIBUTIONS AND POLITICAL DONATIONS

During the year the company made charitable donations of £3,000 (2010 - £5,000)

There were no political contributions made during the year (2010 - £Nil)

EMPLOYEES

Details of the number of employees and associated costs are disclosed in note 7 to the financial statements

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company This is achieved through formal and informal meetings and communications on the company's internal and external websites Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

AUDITOR

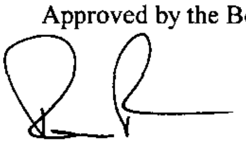
Each of the directors at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- The director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on behalf of the Board



Sir Peter Rigby
Director
27 September 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALIST COMPUTER CENTRES PLC

We have audited the financial statements of Specialist Computer Centres plc for the year ended 31 March 2011 which comprise the profit and loss account, balance sheet, the reconciliation of movement in shareholders' funds, and the related notes 1 to 28 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

C.J. Robertson

Christopher Robertson (Senior Statutory Auditor)
for and behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, United Kingdom

28/09/11

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £'000	2010 £'000
TURNOVER			
Existing operations		553,473	489,408
Acquisitions		12,012	-
Continuing operations	2	565,485	489,408
Cost of sales		(493,069)	(420,607)
Gross profit		72,416	68,801
Distribution costs		(24,640)	(23,094)
Administrative expenses before exceptional operating expenses		(42,530)	(37,829)
Exceptional operating expenses	3	(1,608)	(992)
Total administrative expenses		(44,138)	(38,821)
Other operating income	4	1,098	-
OPERATING PROFIT (LOSS)			
Existing operations		5,029	6,886
Acquisitions		(293)	-
Continuing operations		4,736	6,886
Finance (charges) income (net)	5	(126)	35
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	4,610	6,921
Tax on profit on ordinary activities	9	926	(540)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	21	5,536	6,381

All activity derives from continuing operations

There are no recognised gains or losses in either year other than the profit for that year

BALANCE SHEET
31 MARCH 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Intangible assets	11	4,225	712
Tangible assets	12	26,277	12,516
Investments	13	116	-
		30,618	13,228
CURRENT ASSETS			
Stocks	14	28,724	28,700
Debtors - Due within one year	15	189,407	158,914
Due after more than one year	15	1,575	1,204
Cash at bank and in hand		94,531	91,161
		314,237	279,979
CREDITORS: Amounts falling due within one year	16	(261,998)	(211,026)
NET CURRENT ASSETS		52,239	68,953
TOTAL ASSETS LESS CURRENT LIABILITIES		82,857	82,181
CREDITORS: Amounts falling due after more than one year	17	(7,498)	(4,539)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(577)	(1,396)
NET ASSETS		74,782	76,246
CAPITAL AND RESERVES			
Called up share capital	20	1,000	1,000
Profit and loss account	21	73,782	75,246
SHAREHOLDERS' FUNDS	22	74,782	76,246

The financial statements of Specialist Computer Centres plc, registered number 1428210, were approved by the Board of Directors and authorised for issue on 27 September 2011 and signed on its behalf by

Sir Peter Rigby

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards The particular accounting policies adopted are described below They have been applied consistently throughout the year and preceding year

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by S400 of the Companies Act 2006 because it is a wholly owned subsidiary of Specialist Computer Holdings plc, which prepared consolidated financial statements which are publicly available The company is also, on this basis, exempt from the requirement of Financial Reporting Standard Number 1 to present a cash flow statement

Going concern

The company's business activities, together with factors likely to affect its future developments, performance and position are set out in the Business Review on pages 2 and 3 The director's report on pages 2 to 4 describes the financial position of the company, its financial risk management objectives and its exposure to credit risk and liquidity risk

The company is part of the Specialist Computer Holdings plc ("SCH") group, which has secured banking facilities in both the UK and Continental Europe which are used to meet its day to day working capital requirements The current economic conditions create uncertainty particularly over (a) the level of demand for the group's products and services, (b) the exchange rate between Sterling and Euro and (c) the availability of bank finance in the foreseeable future

The company and the SCH group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the group and company should be able to operate within the level of its current facilities

The group has one primary source of external finance in the UK where loans and an overdraft are secured over the trade receivables of the principal UK companies, including those of the company The existing facility was scheduled to expire in June 2012 The group has obtained a written confirmation from its bankers that the existing facility will be extended to 31 December 2012 The group is currently negotiating an alternative facility in the UK with its bankers which should be more cost effective

As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Intangible assets – goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its expected useful economic life of 10 years. Provision is made for any impairment

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets that are in use, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Leasehold buildings	40 to 50 years
Short leasehold improvements	10 years
Fixtures and equipment	3 to 10 years
Motor vehicles	3 to 5 years

Depreciation of data centre assets is calculated on a usage or consumption basis over a maximum period of 10 years

The cost and depreciation attributable to leasehold improvements is included within leasehold buildings

Residual value is calculated on prices prevailing at the date of acquisition

Investments

Fixed asset investments are shown at cost less provision for impairment

Stocks

Goods held for resale are stated at the lower of cost and net realisable value Provision is made for obsolete, slow-moving or defective items where appropriate

Maintenance stocks are stated at cost less a provision which is held to write-off the cost over a three year period

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more than likely that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes Revenue is recognised when persuasive evidence of an arrangement with a customer exists, delivery has occurred or all significant performance obligations have been completed, the price is fixed or determinable and the collection of the amount due is reasonably assured Income from service contracts is recognised on a straight line basis over the period of the contracts

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES (continued)

Lease accounting

Lease contracts sold

The sale proceeds of lease contracts sold to financial institutions or lease-financing companies, representing the present value of future rental streams and the contractual residual value of the equipment sold, are recorded as turnover at the time of the sale

Lease contracts not subsequently reassigned

(a) Finance leases

Lease contracts which are not subsequently reassigned and which transfer substantially all of the risks and rewards of ownership to the lessee are classified as finance leases

Finance leases are accounted for on the basis of gross receivables less unearned income and provision for bad debts, and are included within debtors Unearned income is allocated to future periods to give a constant periodic rate of return on the net investment

(b) Operating leases

Other lease contracts which are not subsequently reassigned are classified as operating leases and the equipment is recorded at cost in fixed assets. Depreciation is charged on a reducing balance basis to bring the equipment to a net book value based on the estimated market value

Rental income from such leases is recognised on a straight line basis over the period of the contract Rental costs represent the depreciation charge of the leased equipment

Leased assets

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis

Pension costs

The company makes contributions to a defined contribution Group Personal Pension Plan The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate All exchange differences are included in the profit and loss account

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk The company does not hold or issue derivative financial instruments for speculative purposes

For a forward foreign exchange contract or a forward tracker option contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the company's operations Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the company's financial statements

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

1. ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time

At each period end, the fair value of derivative financial instruments is calculated and disclosed within the financial statements where material

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets The commencement of capitalisation begins where both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete

Rebates and marketing income

Vendor rebates, allowances and marketing income are recorded as a reduction to cost of sales in the period in which the related goods and services are provided, or deducted from the cost of stock as appropriate in accordance with the underlying agreement with the vendor Amounts received that require specific performance are recognised when the performance is satisfied, the amount is fixed and determinable and the collection is reasonably assured Lump sum payments received in advance of performance are recognised over the life of the agreement

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned Other grants are credited to the profit and loss account as the related expenditure is incurred

2 SEGMENTAL INFORMATION

The whole of the company's turnover and operating profit derives from the company's principal activities which originate in the United Kingdom The turnover in the company is attributable to one business unit, which is the provision of systems integration services and products related to the large scale computing requirements of major UK organisations An analysis of turnover by geographical destination is given below

	2011 £'000	2010 £'000
United Kingdom	554,217	480,473
Continental Europe	11,087	8,915
Rest of the World	181	20
	565,485	489,408

The whole of the company's operating profit is earned, and all net assets are held in the United Kingdom

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

3. EXCEPTIONAL OPERATING EXPENSES

Exceptional operating expenses include

	2011 £'000	2010 £'000
Restructuring costs	888	992
Provisions against investments	720	-
	1,608	992

During the year, the company continued with the restructure of its operations Costs of £888,000 (2010 - £992,000) were incurred, which primarily related to redundancies

During the year, the company provided an amount of £720,000 against its investment in Kavanagh Enterprise Limited ("KEL") after the trade and assets of KEL's wholly owned subsidiary, Kavanagh Systems Limited, had been transferred to the company

The effect on taxation of the exceptional operating expenses was to reduce the taxation charge by £249,000 (2010 - £278,000)

4. OTHER OPERATING INCOME

	2011 £'000	2010 £'000
Dividends received from group companies	1,098	-

5. FINANCE INCOME (CHARGES) (NET)

Investment income

	2011 £'000	2010 £'000
Other interest receivable and similar income	-	130

Interest payable and similar charges

	2011 £'000	2010 £'000
Finance leases and hire purchase contracts	47	23
Other interest payable	79	72
Interest payable to group undertakings	134	-
	260	95

Net interest payable (receivable)

	2011 £'000	2010 £'000
Interest payable and similar charges	260	95
Less interest capitalised	(134)	-
Less Investment income	-	(130)
	126	(35)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

6. PROFIT ON ORDINARY ACTIVITES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging (crediting):

	2011 £'000	2010 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	3,877	1,484
- held under finance leases and hire purchase agreements	194	186
Loss (profit) on disposal of fixed assets	1	(16)
Amortisation of goodwill	482	365
Operating lease rentals		
- plant and machinery	15	15
- other	4,814	4,770

The analysis of auditor's remunerations is as follows

	2011 £'000	2010 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	70	85
Total audit fees	70	85

Amounts payable to the auditor by the company in respect of non-audit services were £Nil (2010 - £Nil)

7. STAFF COSTS

The average monthly number of employees (including executive directors) was

	2011 Number	2010 Number
Sales	339	305
Engineering	1,101	1,192
Administrative	259	170
Warehouse	170	231
	1,869	1,898

Their aggregate remuneration comprised

	2011 £'000	2010 £'000
Wages and salaries	60,940	58,942
Social security costs	6,841	5,645
Other pension costs (see note 24)	1,118	1,128
	68,899	65,715

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

8. DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors was as follows

	2011 £'000	2010 £'000
Emoluments	1,501	2,204
Company contributions to private pension schemes	70	62
	1,571	2,266

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received No directors exercised share options in the year (2010 - Nil) During the year, no share options were granted to the directors (2010 - Nil)

The emoluments of Sir Peter Rigby, Ms P A Rigby and Messrs J Rigby and S P Rigby are paid by another group company It is not practicable to determine the proportions of such emoluments which are attributable to the directors' services to the company The total emoluments for these directors are taken into account in the disclosure of directors' emoluments in the financial statements of Rigby Family Holdings Limited, the ultimate parent undertaking

Pensions

The number of directors for whom the company made contributions to personal pension schemes was as follows

	2011 Number	2010 Number
Defined contribution pension scheme	7	9

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director

	2011 £'000	2010 £'000
Emoluments	330	562
Company pension contributions	14	13
	344	575

The highest paid director exercised no share options during the year (2010 - Nil) and was granted no share options during the year (2010 - Nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

9. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax (credit) charge comprises

	2011 £'000	2010 £'000
Current tax		
UK corporation tax	147	980
Payments to related parties for group relief	500	-
Adjustments in respect of prior years		
- UK corporation tax	(323)	(462)
Total current tax	324	518
Deferred tax		
Origination and reversal of timing differences	(661)	241
Adjustments in respect of prior years	(589)	(219)
Total deferred tax (see note 15)	(1,250)	22
Total tax (credit) charge on profit on ordinary activities	(926)	540

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	4,736	6,921
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2010 - 28%)	1,326	1,938
Effects of		
Expenses not deductible for tax purposes	477	369
Depreciation in excess of capital allowances (capital allowances in excess of depreciation)	692	(241)
Other timing differences	(67)	-
Impact of transfer of assets from group companies	(1,208)	-
Impact of change in UK corporation tax rate	24	-
Income not taxable	(307)	-
Brought forward losses utilised	(5)	(4)
Receipt of group relief not paid for	(285)	(1,082)
Adjustments to tax charge in respect of previous periods	(323)	(462)
Current tax charge for the period	324	518

The company earns its profits primarily in the UK, therefore the tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 28%

The Emergency Budget 2010 introduced a reduction in the rate of corporation tax from 28% to 27% from 1 April 2011 This legislation was substantively enacted on 21 July 2010 and as such will impact the company's tax charge from 1 April 2011

The Budget in March 2011 subsequently reduced the rate of corporation tax from 27% to 26% with effect from 1 April 2011 The legislation was substantively enacted on 29 March 2011

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date Accordingly, this reduction has been taken into account when stating the deferred tax assets and liabilities at 31 March 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

10. DIVIDENDS

	2011 £'000	2010 £'000
Final paid dividend of £7 (2010 - £8) per ordinary share	7,000	8,000

11. INTANGIBLE FIXED ASSETS – GOODWILL

	£'000
Cost	
At 1 April 2010	2,977
Additions	3,995
At 31 March 2011	6,972
Amortisation	
At 1 April 2010	2,265
Charge for the year	482
At 31 March 2011	2,747
Net book value	
At 31 March 2011	4,225
At 31 March 2010	712

Acquisitions

Additions during the year comprises, £3,995,000 arising from the acquisition of the trade and assets of Kavanagh Services Limited

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair values to the company

	Book and fair value to the company £000
Tangible fixed assets	1,229
Current assets	
Stock	42
Debtors	1,054
Total assets	2,325
Bank overdraft	(1,074)
Creditors	(4,147)
Total liabilities	(5,221)
Net liabilities	(2,896)
Goodwill	3,995
	1,099
Satisfied by	
Cash	1,099

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

12. TANGIBLE FIXED ASSETS

	Leasehold buildings and improvements £'000	Fixtures and equipment £'000	Assets in the course of construction £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2010	8,463	5,086	2,775	1,324	17,648
Additions	1,043	7,456	9,060	273	17,832
Disposals	(322)	(970)	-	(81)	(1,373)
Transfers	11,835	-	(11,835)	-	-
At 31 March 2011	21,019	11,572	-	1,516	34,107
Depreciation					
At 1 April 2010	2,106	2,200	-	826	5,132
Charge for the year	893	2,946	-	232	4,071
Disposals	(322)	(970)	-	(81)	(1,373)
At 31 March 2011	2,677	4,176	-	977	7,830
Net book value					
At 31 March 2011	18,342	7,396	-	539	26,277
At 31 March 2010	6,357	2,886	2,775	498	12,516

Hire purchase and finance leased assets included above

Net book value					
At 31 March 2011	3,377	155	-	433	3,965
At 31 March 2010	-	-	-	398	398

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £134,000 (2010 - £Nil)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

13. FIXED ASSET INVESTMENTS

	2011 £'000	2010 £'000
Subsidiary undertakings	116	-

Subsidiary undertakings

	£'000
Cost	
At 1 April 2010	1,126
Additions	836
At 31 March 2011	1,962
Provisions for impairment	
At 1 April 2010	1,126
Written off (see note 3)	720
At 31 March 2011	1,846
Net book value	
At 31 March 2011	116
At 1 April 2010	-

Additions during the year relate to the acquisition of the entire issued share capital of Kavanagh Enterprises Limited and its wholly owned subsidiary, Kavanagh Systems Limited, and the entire issued share capital of Technical Support Group Limited

The company has investments in the following subsidiary undertakings To avoid a statement of excessive length, details of investments which are not significant have been omitted

Subsidiary undertakings	Country of incorporation	Principal activity	Percentage holding
The Byte Shop Limited	England and Wales	Dormant	100%
TW2 Communications Limited	England and Wales	Dormant	100%
Third Wave Europe Limited	England and Wales	Dormant	100%
Specialist Computer Centres Denmark Limited	England and Wales	Dormant	100%
Kavanagh Enterprise Limited	England and Wales	Dormant	100%
Kavanagh Systems Limited	England and Wales	Dormant	100%
Technical Support Group Limited	England and Wales	Computer Services	100%

14. STOCKS

	2011 £'000	2010 £'000
Finished goods held for resale	26,635	26,151
Maintenance stock	2,089	2,549
	28,724	28,700

There is no material difference between the balance sheet value of stocks and their replacement cost

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

15. DEBTORS

Amounts falling due within one year	2011 £'000	2010 £'000
Trade debtors	125,040	92,064
Amounts owed by group undertakings	39,163	43,881
Other debtors	6,708	6,835
VAT	8,500	9,638
UK Corporation tax	886	-
Prepayments and accrued income	7,131	5,767
Deferred taxation	1,979	729
	189,407	158,914

The trade debtors of the company act as security for loans advanced to Specialist Computer Holdings (UK) plc, a fellow group undertaking

Amounts falling due after more than one year	2011 £'000	2010 £'000
Other debtors	1,575	1,204

The movement on deferred taxation is as follows

	Deferred taxation asset £'000
At 1 April 2010	729
Credited to the profit and loss account (see note 9)	1,250
At 31 March 2011	1,979

Deferred taxation asset is recognised as follows

	2011 £'000	2010 £'000
Accelerated capital allowances	1,842	561
Other timing differences	137	168
Undiscounted asset for deferred tax	1,979	729

Deferred tax asset is not recognised as follows

	2011 £'000	2010 £'000
Losses	1,138	310
Other timing differences	363	312
	1,501	622

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

15. DEBTORS (continued)

A deferred tax asset amounting to £1,138,000 (2010 - £310,000) for excess trading losses arising on a certain trade has not been recognised because it is not sufficiently certain that there will be suitable taxable profits available in the future to utilise the tax losses

A deferred tax asset has also not been recognised in respect of the impairment of the value of the company's fixed asset investments as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £363,000 (2010 - £312,000) The asset would be recovered if the company sold its fixed asset investment and was able to offset the resulting capital loss against a qualifying capital gain

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £'000	2010 £'000
Obligations under finance leases and hire purchase contracts (see note 18)	891	267
Bank overdraft (see note 18)	109	153
Trade creditors	208,938	161,963
Amounts owed to group undertakings	15,935	15,473
Other taxation and social security	329	871
Other creditors	2,058	1,745
Government grants	1,411	-
Accruals and deferred income	32,327	30,554
	261,998	211,026

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £'000	2010 £'000
Obligations under finance leases and hire purchase contracts (see note 18)	2,792	95
Trade creditors	1,480	3,091
Accruals and deferred income	3,226	1,353
	7,498	4,539

18. BORROWINGS

	2011 £'000	2010 £'000
Obligations under finance leases and hire purchase contracts	3,683	362
Bank overdraft	109	153
	3,792	515
In one year or less	1,000	420
In more than one year but no more than two years	811	95
In more than two years but no more than five years	1,981	-
	3,792	515

The obligations under finance leases and hire purchase contracts are secured over motor vehicles and certain plant and machinery

The bank overdraft is secured by unlimited multi-lateral guarantees provided by certain other UK group companies (see note 25)

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2011

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Other £'000
At 1 April 2010	1,396
Utilised in the year	(819)
At 31 March 2011	577

Provisions for liabilities and charges comprise onerous lease provisions which will be utilised over periods of between 2 years and 5 years

20. CALLED-UP SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised, allotted, called-up and fully-paid		
1,000,000 ordinary shares of £1 each	1,000	1,000

21. RESERVES

	Profit and loss account £'000
At 1 April 2010	75,246
Profit on ordinary activities after taxation	5,536
Dividends (see note 10)	(7,000)
At 31 March 2011	73,782

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £'000	2010 £'000
Profit for the financial year	5,536	6,381
Dividends (see note 10)	(7,000)	(8,000)
Net movement in shareholders' funds	(1,464)	(1,619)
Opening shareholders' funds	76,246	77,865
Closing shareholders' funds	74,782	76,246

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

23. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2011		2010	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	128	1,065	-	1,321
- between two and five years	1,178	948	517	1
- after five years	1,860	-	2,693	-
	3,166	2,013	3,210	1,322

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs

Capital commitments are as follows

	2011 £'000	2010 £'000
Contracted for but not provided for		
Other	-	7,963

24. PENSION ARRANGEMENTS

The company makes contributions to a defined contribution Group Personal Pension Plan, for which the pension cost and charge for the year amounted to £1,118,000 (2010 - £1,128,000)

25. CONTINGENT LIABILITIES

There are cross guarantees on the overdrafts of certain undertakings in the group and certain bank loans At 31 March 2011 the indebtedness of the UK group undertakings amounted to £105,624,000 (2010 - £81,707,000)

In March 2009, the company provided a guarantee to a financier of SCC SpA, a fellow subsidiary undertaking at the time

In April 2009, the Specialist Computer Holdings plc group disposed of its interest and SCC SpA and the acquirer was obliged to remove the company's guarantee To date, the acquirer has failed to remove the guarantee and legal action is ongoing in this regard The maximum liability as at 31 March 2011 under the guarantee is €1,400,000

26. RELATED PARTY TRANSACTIONS

During the year, the company traded with Patriot Aviation Limited, Mallory Court Hotel Limited, Arden Hotel Investments Limited, Coventry Airport Limited and Eden Hotel Collection Limited, companies in which Sir Peter Rigby is the director and majority shareholder

The company purchased goods and services from Mallory Court Hotel Limited during the year of £Nil (2010 - £4,000) and made sales of £55,000 (2010 - £64,000) As at 31 March 2011, a net amount of £6,000 was owing by Mallory Court Hotel Limited (2010 - £13,000)

The company sold goods and services to Patriot Aviation Limited amounting to £52,000 (2010 - £24,000) As at 31 March 2011, a net amount of £45,000 was owing by Patriot Aviation Limited (2010 - £9,000)

The company sold goods and services to Arden Hotel Investments Limited amounting to £65,000 (2010 - £39,000) As at 31 March 2011 a net amount of £9,000 was owing by Arden Hotel Investments Limited (2010 - £35,000)

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2011

26. RELATED PARTY TRANSACTIONS (Continued)

The company purchased goods and services from Coventry Airport Limited during the year of £13,000 (2010 - £Nil) and made sales of £120,000 (2010 - £Nil) As at 31 March 2011, a net amount of £59,000 (2010 - £Nil) was owing by Coventry Airport Limited

The company sold goods and services to Eden Hotel Collection Limited amounting to £18,000 (2010 - £Nil) As at 31 March 2011, a net amount of £6,000 was owing by Eden Hotel Collection Limited (2010 - £Nil)

27. ULTIMATE PARENT UNDERTAKING

The company is a subsidiary undertaking of SCH Corporate Services Limited, a company registered in England and Wales

The results of SCH Corporate Services Limited are consolidated into those of an intermediate holding company, Specialist Computer Holdings plc, registered in England and Wales, whose principal place of business is at James House, Warwick Road, Birmingham, B11 2LE The largest group of which the company is a member, and for which consolidated financial statements are drawn up, is that headed by Rigby Family Holdings Limited Consolidated financial statements are available at James House, Warwick Road, Birmingham, B11 2LE

During the year, on 23 September 2010, Specialist Direct Limited acquired the entire issued share capital of Specialist Computer Holdings plc On 24 September 2010, Specialist Direct Limited changed its name to Rigby Family Holdings Limited The ultimate parent company therefore changed from Specialist Computer Holdings plc to Rigby Family Holdings with effect from 23 September 2010

As a subsidiary undertaking of SCH Corporate Services Limited, the company has taken advantage of the exemption in Financial Reporting Standard Number 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Rigby Family Holdings Limited

28. ULTIMATE CONTROLLING BODY

Sir Peter Rigby, a director of Specialist Computer Holdings plc and Rigby Family Holdings Limited controlled the company as a result of holding 79% of the issued ordinary share capital of Specialist Computer Holdings plc, the ultimate parent undertaking until 23 September 2010

With effect from 23 September 2010, Sir Peter Rigby controls Rigby Family Holdings as a result of holding 79% of the issued ordinary share capital of that company

The ultimate controlling body has not changed as a result of the transaction on 23 September 2010