

Specialist Computer Centres plc

Report and Financial Statements

31 March 2009

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REPORT AND FINANCIAL STATEMENTS 2009

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**OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 MARCH 2009**

DIRECTORS

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

SECRETARY

O G Williams

REGISTERED OFFICE

James House
Warwick Road
Birmingham
B11 2LE

BANKERS

HSBC Bank plc
130 New Street
Birmingham
B2 4JU

SOLICITORS

Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS

AUDITORS

Deloitte LLP
Chartered Accountants
Four Brindleyplace
Birmingham
B1 2HZ

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2009**

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

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 profitability is generated from the provision of services. Systems Integration, services and the provision of large scale corporate computing solutions represent the principal activities of the company.

BUSINESS REVIEW

In contrast to the tough economic climate, the business performed well, with turnover increasing from £508.6m in the prior year to £511.6m in 2009.

Services revenues as a proportion of total revenues rose again from 19.4% to 20.4%, in line with the company's strategy of improving revenue mix.

Product margins came under pressure during the year as the market became increasingly competitive and due to the impact of the declining exchange rate on US Dollar based costs.

Services margins were maintained in a competitive market due to the management's focus on profitable business and good cost control.

Management continued to focus on administrative expenses, resulting in a fall in overhead costs as a percentage of revenue from 13.2% to 12.4%. Effective cost management programmes continues to reduce operating costs. As a result of the programmes and continued focus on unprofitable activities, exceptional costs of £1.0m were incurred during the year.

The profit and loss account set out on page 8 of the financial statements shows a profit on ordinary activities after taxation of £5.0m compared with £6.6m in the prior year.

The balance sheet on page 9 of the financial statements shows a strong net assets position, with an improvement of £4.3m in net cash reflecting the company's ongoing programme of cash and working capital management.

Detail of the amounts owed to the other group companies are set out in note 15 of the financial statements.

The Directors have declared and paid a final dividend £9 (2008 - £4) per ordinary share.

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 growth, 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.

DIRECTORS' REPORT (continued)**BUSINESS REVIEW (continued)****Key Performance Indicators (continued)**

The table below sets out the key KPI's:

KPI	2009	2008
Turnover growth (decline) ¹	0.6%	(17.4%)
Gross profit percentage ²	13.6%	14.7%
Overhead costs percentage ³	12.4%	13.2%
Return on sales ⁴	1.2%	1.5%
Revenue per employee (£'000) ⁵	255	248

- 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 employee throughout the year

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

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.

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 have a maturity date in June 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.

DIRECTORS' REPORT (continued)

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
P A Eccleston (resigned 19 August 2008)
J C Raybould
P Everatt
N P Gilpin (resigned 21 May 2009)
M Rowen (resigned 14 April 2009)
I Scott
M Swain
P 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 2009 were equivalent to 67 days' (2008 - 54 days') purchases, based on the average daily amount invoiced by suppliers.

CHARITABLE CONTRIBUTIONS AND POLITICAL DONATIONS

During the year the company made charitable donations of £1,000 (2008 - £4,000).

There were no political contributions made during the year (2008 - £Nil).

DIRECTORS' REPORT (continued)

EMPLOYEES

Details of the number of employees and associated costs can be found in note 6 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.

AUDITORS

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 auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

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
28 October 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 AUDITORS' 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 2009 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom

30 October 2009

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2009**

	Note	2009 £'000	2008 £'000
TURNOVER	2	511,551	508,609
Cost of sales		(441,894)	(434,042)
Gross profit		69,657	74,567
Distribution costs		(23,840)	(24,140)
Administrative expenses before exceptional items		(39,672)	(42,835)
Exceptional operating expenses	3	(1,251)	-
Total administrative expenses		(40,923)	(42,835)
OPERATING PROFIT		4,894	7,592
Finance (charges) income (net)	4	(37)	28
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	4,857	7,620
Tax on profit on ordinary activities	8	175	(1,027)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20	5,032	6,593

All activity derives from continuing operations.

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

The accompanying notes are an integral part of this profit and loss account.

BALANCE SHEET
31 MARCH 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Intangible assets	10	1,077	2,155
Tangible assets	11	7,465	5,873
Investments	12	-	-
		<u>8,542</u>	<u>8,028</u>
CURRENT ASSETS			
Stocks	13	33,160	30,517
Debtors - Due within one year	14	170,447	140,385
Due after more than one year	14	1,709	9,155
Cash at bank and in hand		92,838	88,498
		<u>298,154</u>	<u>268,555</u>
CREDITORS: Amounts falling due within one year	15	<u>(221,654)</u>	<u>(184,728)</u>
NET CURRENT ASSETS		<u>76,500</u>	<u>83,827</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		85,042	91,855
CREDITORS: Amounts falling due after more than one year	16	(5,562)	(7,998)
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(1,615)</u>	<u>(2,024)</u>
NET ASSETS		<u>77,865</u>	<u>81,833</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,000	1,000
Profit and loss account	20	76,865	80,833
SHAREHOLDERS' FUNDS	21	<u>77,865</u>	<u>81,833</u>

The financial statements of Specialist Computer Centres plc, registered number 1428210, were approved by the Board of Directors and authorised for issue on 28 October 2009 and signed on its behalf by:



Sir Peter Rigby

Director

The accompanying notes are an integral part of this balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

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 Section 228 of the Companies Act 1985 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 page 3 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 SCH group negotiated a new main facility in the UK post year end, where loans and an overdraft are secured over the trade receivables of the principal UK subsidiaries, including those of the company. The new facility expires in June 2012.

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.

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, 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:

Short leasehold improvements	10 years
Fixtures and equipment	3 to 10 years
Motor vehicles	3 to 5 years

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

1. ACCOUNTING POLICIES (continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

1. ACCOUNTING POLICIES (continued)

Lease accounting (continued)

(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.

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.

Maintenance income

Income arising 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 2009**

1. ACCOUNTING POLICIES (continued)

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 recognized 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 recognized over the life of the agreement.

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. An analysis of turnover by geographical destination is given below.

	2009	2008
	£'000	£'000
United Kingdom	500,171	504,439
Continental Europe	11,343	3,872
Rest of the World	37	298
	<u>511,551</u>	<u>508,609</u>

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

3. EXCEPTIONAL OPERATING EXPENSES

Exceptional operating expenses include:

	2009	2008
	£'000	£'000
Restructure costs	968	-
Provisions against investment and intercompany receivables	283	-
	<u>1,251</u>	<u>-</u>

During the year, the company commenced the restructure of its operations. Costs of £968,000 were incurred, which primarily related to redundancies.

The company has provided an amount of £283,000 (2008 - £Nil) against its investment in, and intercompany balances receivable from, SCC Denmark Limited.

The effect on taxation of the exceptional operating expenses was to reduce the taxation charge by £271,000 (2008 - £Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009

4. FINANCE CHARGES (NET)

Investment income

	2009	2008
	£'000	£'000
Other interest receivable and similar income	157	53
	<u>157</u>	<u>53</u>

Interest payable and similar charges

	2009	2008
	£'000	£'000
Finance leases and hire purchase contracts	16	25
Other interest payable	178	-
	<u>194</u>	<u>25</u>

Net interest payable (receivable)

	2009	2008
	£'000	£'000
Interest payable and similar charges	194	25
Less: Investment income	(157)	(53)
	<u>37</u>	<u>(28)</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	2009	2008
	£'000	£'000
Depreciation and amounts written off tangible fixed assets		
- owned	1,154	1,111
- held under finance leases and hire purchase agreements	144	225
(Profit) loss on disposal of fixed assets	(20)	8
Amortisation of goodwill	1,078	1,078
Operating lease rentals		
- plant and machinery	15	16
- other	4,765	4,380
	<u> </u>	<u> </u>

The analysis of auditors' remunerations is as follows:

	2009	2008
	£'000	£'000
Fees payable to the company's auditors for the audit of the company's annual accounts	89	89
	<u> </u>	<u> </u>
Total audit fees	89	89
	<u> </u>	<u> </u>
Other services pursuant to legislation		
- Tax services	-	12
	<u> </u>	<u> </u>
Total non-audit fees	-	12
	<u> </u>	<u> </u>

6. STAFF COSTS

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

	2009	2008
	Number	Number
Sales	363	429
Engineering	1,233	1,199
Administrative	170	171
Warehouse	244	249
	<u> </u>	<u> </u>
	2,010	2,048
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2009	2008
	£'000	£'000
Wages and salaries	62,491	64,628
Social security costs	6,063	6,004
Other pension costs (see note 23)	1,019	995
	<u> </u>	<u> </u>
	69,573	71,627
	<u> </u>	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

7. DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors was as follows:

	2009	2008
	£'000	£'000
Emoluments	1,435	1,763
Company contributions to private pension schemes	61	121
	<u>1,496</u>	<u>1,884</u>

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 (2008 - Nil). During the year, no share options were granted to the directors (2008 - Nil).

The emoluments of Sir Peter Rigby, Ms P A Rigby and Messrs J Rigby, S P Rigby and N P Gilpin 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 Specialist Computer Holdings plc, the ultimate parent undertaking or in the financial statements of Specialist Computer Holdings (UK) plc.

Pensions

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

	2009	2008
	Number	Number
Defined contribution pension scheme	<u>7</u>	<u>8</u>

Highest-paid director

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

	2009	2008
	£'000	£'000
Emoluments	248	258
Company pension contributions	-	13
	<u>248</u>	<u>271</u>

The highest paid director exercised no share options during the year (2008 - Nil) and was granted no share options during the year (2008 - Nil).

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax (credit) charge comprises:

	2009	2008
	£'000	£'000
Current tax		
UK corporation tax	543	1,590
Adjustments in respect of prior years		
- UK corporation tax	(966)	(1,092)
- Foreign tax	-	20
	<u>(423)</u>	<u>518</u>
Deferred tax		
Origination and reversal of timing differences	187	178
Adjustments in respect of prior years	61	331
	<u>248</u>	<u>509</u>
Total deferred tax (see note 14)	<u>248</u>	<u>509</u>
Total tax on profit on ordinary activities	<u>(175)</u>	<u>1,027</u>

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:

	2009	2008
	£'000	£'000
Profit on ordinary activities before tax	<u>4,857</u>	<u>7,620</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008 - 30%)	1,360	2,286
Effects of:		
Expenses not deductible for tax purposes	1,179	709
Capital allowances in excess of depreciation	(229)	(248)
Other timing differences	42	70
Impact of change in the UK Corporation tax rate on deferred tax	-	(11)
Brought forward losses utilised	-	(6)
Receipt of group relief not paid for	(1,809)	(1,210)
Adjustments to tax charge in respect of previous periods	(966)	(1,072)
	<u>(423)</u>	<u>518</u>

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%.

9. DIVIDENDS

	2009	2008
	£'000	£'000
Final declared dividend of £9 (2008 - £4) per ordinary share	<u>9,000</u>	<u>4,000</u>
	<u>9,000</u>	<u>4,000</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

10. INTANGIBLE FIXED ASSETS – GOODWILL

	£'000
Cost	
At 1 April 2008 and 31 March 2009	10,330
Amortisation	
At 1 April 2008	8,175
Charge for the year	1,078
At 31 March 2009	9,253
Net book value	
At 31 March 2009	1,077
At 31 March 2008	2,155

11. TANGIBLE FIXED ASSETS

	Short leasehold improvements £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2008	4,527	4,544	985	10,056
Additions	1,046	1,426	452	2,924
Disposals	(139)	(873)	(154)	(1,166)
At 31 March 2009	5,434	5,097	1,283	11,814
Depreciation				
At 1 April 2008	1,228	2,247	708	4,183
Charge for the year	506	648	144	1,298
Disposals	(106)	(873)	(153)	(1,132)
At 31 March 2009	1,628	2,022	699	4,349
Net book value				
At 31 March 2009	3,806	3,075	584	7,465
At 31 March 2008	3,299	2,297	277	5,873
Finance leases and hire purchase assets included above				
Net book value				
At 31 March 2009	-	-	584	584
At 31 March 2008	-	14	277	291

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009

12. FIXED ASSET INVESTMENTS

	2009	2008
	£'000	£'000
Subsidiary undertakings	-	-
Subsidiary undertakings		
Cost		£'000
At 1 April 2008		1,111
Additions		15
At 31 March 2009		1,126
Provisions for impairment		
At 1 April 2008		1,111
Written off		15
		1,126
Net book value at 1 April 2008 and 31 March 2009		-

Additions during the year relate to the acquisition of the entire issued share capital of Specialist Computer Centres Denmark Ltd.

The company has investments in the following:

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	Systems integration	100%

13. STOCKS

	2009	2008
	£'000	£'000
Finished goods held for resale	30,009	27,582
Maintenance stock	3,151	2,935
	33,160	30,517

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 2009

14. DEBTORS

Amounts falling due within one year:	2009	2008
	£'000	£'000
Trade debtors	104,067	83,055
Amounts owed by group undertakings	45,874	34,506
Other debtors	7,796	8,688
VAT	6,843	6,097
UK Corporation tax	1,131	2,612
Prepayments and accrued income	3,985	4,428
Deferred taxation	751	999
	<u>170,447</u>	<u>140,385</u>

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:	2009	2008
	£'000	£'000
Trade debtors	-	6,333
Other debtors	1,709	2,822
	<u>1,709</u>	<u>9,155</u>

The movement on deferred taxation is as follows:

	Deferred taxation asset £'000
At 1 April 2008	999
Charged to the profit and loss account (see note 8)	(248)
At 31 March 2009	<u>751</u>

Deferred taxation asset is recognised as follows:

	2009	2008
	£'000	£'000
Accelerated capital allowances	499	691
Other timing differences	252	308
Undiscounted asset for deferred tax	<u>751</u>	<u>999</u>

Deferred tax asset is not recognised as follows:

	2009	2008
	£'000	£'000
Losses	314	309
Other timing differences	315	311
	<u>629</u>	<u>620</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

14. DEBTORS (continued)

A deferred tax asset amounting to £314,000 (2008 - £309,000) 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 £315,000 (2008 - £311,000). 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.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£'000	£'000
Obligations under finance leases and hire purchase contracts (see note 17)	279	165
Bank overdraft (see note 17)	31	14
Trade creditors	170,631	128,664
Amounts owed to group undertakings	15,260	22,381
Other taxation and social security	714	520
Other creditors	2,506	5,260
Accruals and deferred income	32,233	27,724
	<u>221,654</u>	<u>184,728</u>

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

	2009	2008
	£'000	£'000
Obligations under finance leases and hire purchase contracts (see note 17)	379	201
Trade creditors	682	-
Accruals and deferred income	4,501	7,797
	<u>5,562</u>	<u>7,998</u>

17. BORROWINGS

	2009	2008
	£'000	£'000
Obligations under finance leases and hire purchase contracts	658	366
Bank overdraft	31	14
	<u>689</u>	<u>380</u>
In one year or less	310	179
In more than one year but no more than two years	283	108
In more than two years but no more than five years	96	93
	<u>689</u>	<u>380</u>

The obligations under finance leases and hire purchase contracts are secured over motor vehicles and certain fixtures and equipment.

The bank overdraft is secured by unlimited multi-lateral guarantees provided by certain other UK group companies (see note 24).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Other £'000
At 1 April 2008	2,024
Utilised in the year	(471)
Charged to the profit and loss account	62
	<hr/>
At 31 March 2009	1,615
	<hr/> <hr/>

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

19. CALLED-UP SHARE CAPITAL

	2009 £'000	2008 £'000
<i>Authorised, allotted, called-up and fully-paid</i> 1,000,000 ordinary shares of £1 each	<hr/> <hr/> 1,000	<hr/> <hr/> 1,000

20. RESERVES

	Profit and loss account £'000
At 1 April 2008	80,833
Profit on ordinary activities after taxation	5,032
Dividends (see note 9)	(9,000)
	<hr/>
At 31 March 2009	76,865
	<hr/> <hr/>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £'000	2008 £'000
Profit for the financial year	5,032	6,593
Dividends (see note 9)	(9,000)	(4,000)
	<hr/>	<hr/>
Net movement in shareholders' funds	(3,968)	2,593
Opening shareholders' funds	81,833	79,240
	<hr/>	<hr/>
Closing shareholders' funds	77,865	81,833
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

22. FINANCIAL COMMITMENTS

There were no capital commitments at either year end.

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

	2009		2008	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	120	1,236	64	364
- between two and five years	445	582	529	1,090
- after five years	2,092	-	1,918	-
	<u>2,657</u>	<u>1,818</u>	<u>2,511</u>	<u>1,454</u>

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.

23. 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 £1,019,000 (2008 - £995,000).

24. CONTINGENT LIABILITIES

There are cross guarantees on the overdrafts of certain undertakings in the group and certain bank loans. At 31 March 2009 the indebtedness of the UK group undertakings amounted to £76,520,000 (2008 - £88,040,000).

25. RELATED PARTY TRANSACTIONS

During the year, the company traded with Patriot Aviation Limited, Mallory Court Hotel Limited and Buckland Tout-Saint Hotel 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 (2008 - £3,000) and made sales of £27,000 (2008 - £29,000). As at 31 March 2009, a net amount of £10,000 was owing by Mallory Court Hotel Limited (2008 - £1,000).

The company sold goods and services to Patriot Aviation Limited amounting to £23,000 (2008 - £25,000). As at 31 March 2009, a net amount of £1,000 was owing by Patriot Aviation Limited (2008 - £10,000).

The company made sales of £2,000 (2008: £nil) to Buckland Tout-Saint Hotel Limited. At either year end there were no amounts owing by Buckland Tout-Saint Hotel Limited.

26. 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 the ultimate 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 and smallest group of which the company is a member, and for which consolidated financial statements are drawn up, is that headed by Specialist Computer Holdings plc. Consolidated financial statements are available at that address.

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 Specialist Computer Holdings plc.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2009**

27. ULTIMATE CONTROLLING BODY

Sir Peter Rigby, a director of Specialist Computer Holdings plc, and members of his close family, control the company as a result of controlling directly 100% of the issued 'A' ordinary share capital of Specialist Computer Holdings plc.