

Specialist Computer Centres plc

Report and Financial Statements

31 March 2010



REPORT AND FINANCIAL STATEMENTS 2010

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	6
Independent auditors' report	7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10

**OFFICERS AND PROFESSIONAL ADVISERS
FOR THE YEAR ENDED 31 MARCH 2010**

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

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 & Statutory Auditors
Four Brindleyplace
Birmingham
B1 2HZ

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2010**

The directors present their annual report and the audited financial statements for the year ended 31 March 2010

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.

BUSINESS REVIEW

The business had a successful year despite the uncertain economic conditions, with operating profit increasing by over 40% from £4.9m in the prior year to £6.9m in 2010.

Product sales reduced by 7% resulting in overall turnover falling by 4.3%. By contrast services revenues increased and now represent 22% of company turnover, an increase from 20% in 2009 and in line with the company's strategy of improving revenue mix. As a result of the improved sales mix, overall gross profit percentages rose from 13.6% to 14.1%.

Despite the tough market competition, services margins were maintained as effective cost management reduced direct headcount costs during the year. The company is engaged in an ongoing review of direct costs to maintain margins and improve competitiveness.

Management continued to focus on the effective control of overheads achieving a reduction of 4.1% (£2.6m) compared to the prior year. Exceptional operating costs of £1.0m (2009 - £1.3m) relates primarily to redundancy costs as average headcount reduced by 5.6%.

During the year, the company acquired the leasehold building at Cole Valley from a fellow subsidiary undertaking, Prime Properties Developments Limited, and the company continued the construction of a data centre at the site. As at 31 March 2010, costs of £2.8m have been incurred on the construction of the data centre, which have been capitalised (see note 11). The completion of the data centre is scheduled for October 2010 and in order to complete the construction, an additional £8.5m will be incurred, of which £8.0m had been committed at the year end (see note 22).

The data centre is a technology smart, eco friendly, Tier 3 data centre, which will be 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 access to data replication and the 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.

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 £8 (2009 - £9) per ordinary share.

Subsequent to year end, on 7 September 2010, the company acquired the entire issued share capital of Kavanagh Enterprises Limited. Through combining Kavanagh'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.

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	2010	2009
Turnover (decline) growth ¹	(4.3%)	0.6%
Gross profit percentage ²	14.1%	13.6%
Overhead costs percentage ³	12.4%	12.4%
Return on sales ⁴	1.6%	1.2%
Revenue per employee (£'000) ⁵	258	255

1 Turnover (decline) growth 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 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.

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 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

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
- N P Gilpin (resigned 21 May 2009)
- M Rowen (resigned 14 April 2009)

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 2010 were equivalent to 41 days' (2009 - 67 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 £5,000 (2009 - £1,000)

There were no political contributions made during the year (2009 - £Nil)

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.

POST BALANCE SHEET EVENT

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

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 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
28 September 2010

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 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 2010 which comprise the profit and loss account, balance sheet, the reconciliation of movement in shareholders' funds, and the related notes 1 to 27. 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 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

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 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 2010 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.



Jane Lodge BSc FCA (Senior Statutory Auditor)
for and behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Birmingham, United Kingdom
28 September 2010

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	2010 £'000	2009 £'000
TURNOVER	2	489,408	511,551
Cost of sales		<u>(420,607)</u>	<u>(441,894)</u>
Gross profit		68,801	69,657
Distribution costs		<u>(23,094)</u>	<u>(23,840)</u>
Administrative expenses before exceptional items		<u>(37,829)</u>	<u>(39,672)</u>
Exceptional operating expenses	3	(992)	(1,251)
Total administrative expenses		<u>(38,821)</u>	<u>(40,923)</u>
OPERATING PROFIT		6,886	4,894
Finance income (charges) (net)	4	<u>35</u>	<u>(37)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	6,921	4,857
Tax on profit on ordinary activities	8	<u>(540)</u>	<u>175</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	20	<u><u>6,381</u></u>	<u><u>5,032</u></u>

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

SPECIALIST COMPUTER CENTRES PLC

BALANCE SHEET
31 MARCH 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Intangible assets	10	712	1,077
Tangible assets	11	12,516	7,465
Investments	12	-	-
		<u>13,228</u>	<u>8,542</u>
CURRENT ASSETS			
Stocks	13	28,700	33,160
Debtors - Due within one year	14	158,914	170,447
Due after more than one year	14	1,204	1,709
Cash at bank and in hand		91,161	92,838
		<u>279,979</u>	<u>298,154</u>
CREDITORS: Amounts falling due within one year	15	<u>(211,026)</u>	<u>(221,654)</u>
NET CURRENT ASSETS		<u>68,953</u>	<u>76,500</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		82,181	85,042
CREDITORS: Amounts falling due after more than one year	16	(4,539)	(5,562)
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>(1,396)</u>	<u>(1,615)</u>
NET ASSETS		<u>76,246</u>	<u>77,865</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,000	1,000
Profit and loss account	20	75,246	76,865
SHAREHOLDERS' FUNDS	21	<u>76,246</u>	<u>77,865</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 September 2010 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 2010

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 3 and 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 a main facility 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 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 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

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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

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 2010**

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.

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

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. 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.

	2010	2009
	£'000	£'000
United Kingdom	480,473	500,171
Continental Europe	8,915	11,343
Rest of the World	20	37
	489,408	511,551
	489,408	511,551

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

	2010	2009
	£'000	£'000
Restructure costs	992	968
Provisions against investment and intercompany receivables	-	283
	992	1,251
	992	1,251

During the year, the company continued with the restructure of its operations. Costs of £992,000 (2009 - £968,000) were incurred, which primarily related to redundancies.

During the prior year, the company provided an amount of £283,000 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 £278,000 (2009 - £271,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

4. FINANCE INCOME (CHARGES) (NET)

Investment income

	2010	2009
	£'000	£'000
Other interest receivable and similar income	130	157

Interest payable and similar charges

	2010	2009
	£'000	£'000
Finance leases and hire purchase contracts	23	16
Other interest payable	72	178
	<u>95</u>	<u>194</u>

Net interest (receivable) payable

	2010	2009
	£'000	£'000
Interest payable and similar charges	95	194
Less Investment income	(130)	(157)
	<u>(35)</u>	<u>37</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2010	2009
	£'000	£'000
Depreciation and amounts written off tangible fixed assets		
- owned	1,484	1,154
- held under finance leases and hire purchase agreements	186	144
Profit on disposal of fixed assets	(16)	(20)
Amortisation of goodwill	365	1,078
Operating lease rentals		
- plant and machinery	15	15
- other	4,770	4,765
	<u> </u>	<u> </u>

The analysis of auditors' remunerations is as follows

	2010	2009
	£'000	£'000
Fees payable to the company's auditors for the audit of the company's annual accounts	85	89
	<u> </u>	<u> </u>
Total audit fees	85	89
	<u> </u>	<u> </u>

Amounts payable to the auditors by the company in respect of non-audit services were £Nil (2009 - £Nil)

6. STAFF COSTS

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

	2010	2009
	Number	Number
Sales	305	363
Engineering	1,192	1,233
Administrative	170	170
Warehouse	231	244
	<u> </u>	<u> </u>
	1,898	2,010
	<u> </u>	<u> </u>

Their aggregate remuneration comprised

	2010	2009
	£'000	£'000
Wages and salaries	58,942	62,491
Social security costs	5,645	6,063
Other pension costs (see note 23)	1,128	1,019
	<u> </u>	<u> </u>
	65,715	69,573
	<u> </u>	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

7. DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors was as follows

	2010 £'000	2009 £'000
Emoluments	2,204	1,435
Company contributions to private pension schemes	62	61
	<u>2,266</u>	<u>1,496</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 (2009 - Nil). During the year, no share options were granted to the directors (2009 - 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

	2010 Number	2009 Number
Defined contribution pension scheme	<u>9</u>	<u>7</u>

Highest-paid director

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

	2010 £'000	2009 £'000
Emoluments	562	248
Company pension contributions	13	-
	<u>575</u>	<u>248</u>

The highest paid director exercised no share options during the year (2009 - Nil) and was granted no share options during the year (2009 - Nil).

SPECIALIST COMPUTER CENTRES PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge (credit) comprises

	2010	2009
	£'000	£'000
Current tax		
UK corporation tax	980	543
Adjustments in respect of prior years		
- UK corporation tax	(462)	(966)
	<u>518</u>	<u>(423)</u>
Total current tax	518	(423)
Deferred tax		
Origination and reversal of timing differences	241	187
Adjustments in respect of prior years	(219)	61
	<u>22</u>	<u>248</u>
Total deferred tax (see note 14)	22	248
	<u>540</u>	<u>(175)</u>
Total tax on profit on ordinary activities	540	(175)

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

	2010	2009
	£'000	£'000
Profit on ordinary activities before tax	<u>6,921</u>	<u>4,857</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2009 - 28%)	1,938	1,360
Effects of		
Expenses not deductible for tax purposes	369	1,179
Capital allowances in excess of depreciation	(241)	(229)
Other timing differences	-	42
Brought forward losses utilised	(4)	-
Receipt of group relief not paid for	(1,082)	(1,809)
Adjustments to tax charge in respect of previous periods	(462)	(966)
	<u>518</u>	<u>(423)</u>
Current tax charge (credit) for the period	518	(423)

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. 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 not been taken into account when stating the deferred tax assets and liabilities at 31 March 2010 but will impact the company's deferred tax assets and liabilities in future periods.

9. DIVIDENDS

	2010	2009
	£'000	£'000
Final paid dividend of £8 (2009 - £9) per ordinary share	8,000	9,000
	<u>8,000</u>	<u>9,000</u>

SPECIALIST COMPUTER CENTRES PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

10. INTANGIBLE FIXED ASSETS – GOODWILL

	£'000
Cost	
At 1 April 2009	10,330
Disposals	(7,353)
	2,977
At 31 March 2010	2,977
Amortisation	
At 1 April 2009	9,253
Charge for the year	365
Disposals	(7,353)
	2,265
At 31 March 2010	2,265
Net book value	
At 31 March 2010	712
At 31 March 2009	1,077

11. 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 2009	5,434	5,097	-	1,283	11,814
Additions	3,105	736	2,775	112	6,728
Disposals	(76)	(747)	-	(71)	(894)
	8,463	5,086	2,775	1,324	17,648
At 31 March 2010	8,463	5,086	2,775	1,324	17,648
Depreciation					
At 1 April 2009	1,628	2,022	-	699	4,349
Charge for the year	554	925	-	198	1,677
Disposals	(76)	(747)	-	(71)	(894)
	2,106	2,200	-	826	5,132
At 31 March 2010	2,106	2,200	-	826	5,132
Net book value					
At 31 March 2010	6,357	2,886	2,775	498	12,516
At 31 March 2009	3,806	3,075	-	584	7,465
Hire purchase and finance leased assets included above					
Net book value					
At 31 March 2010	-	-	-	398	398
At 31 March 2009	-	-	-	584	584

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010

12. FIXED ASSET INVESTMENTS

	2010 £'000	2009 £'000
Subsidiary undertakings	-	-
Subsidiary undertakings		£'000
Cost		
At 1 April 2009 and 31 March 2010		1,126
Provisions for impairment		
At 1 April 2009 and 31 March 2010		1,126
Net book value at 1 April 2009 and 31 March 2010		-

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	Systems integration	100%

13. STOCKS

	2010 £'000	2009 £'000
Finished goods held for resale	26,151	30,009
Maintenance stock	2,549	3,151
	<u>28,700</u>	<u>33,160</u>

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

SPECIALIST COMPUTER CENTRES PLC

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

14. DEBTORS

Amounts falling due within one year	2010	2009
	£'000	£'000
Trade debtors	92,064	104,067
Amounts owed by group undertakings	43,881	45,874
Other debtors	6,835	7,796
VAT	9,638	6,843
UK Corporation tax	-	1,131
Prepayments and accrued income	5,767	3,985
Deferred taxation	729	751
	<u>158,914</u>	<u>170,447</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	2010	2009
	£'000	£'000
Other debtors	<u>1,204</u>	<u>1,709</u>

The movement on deferred taxation is as follows

	Deferred taxation asset £'000
At 1 April 2009	751
Charged to the profit and loss account (see note 8)	(22)
At 31 March 2010	<u>729</u>

Deferred taxation asset is recognised as follows

	2010	2009
	£'000	£'000
Accelerated capital allowances	561	499
Other timing differences	168	252
Undiscounted asset for deferred tax	<u>729</u>	<u>751</u>

Deferred tax asset is not recognised as follows

	2010	2009
	£'000	£'000
Losses	310	314
Other timing differences	312	315
	<u>622</u>	<u>629</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

14. DEBTORS (continued)

A deferred tax asset amounting to £310,000 (2009 - £314,000) 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 £312,000 (2009 - £315,000). 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

	2010 £'000	2009 £'000
Obligations under finance leases and hire purchase contracts (see note 17)	267	279
Bank overdraft (see note 17)	153	31
Trade creditors	161,963	170,631
Amounts owed to group undertakings	15,473	15,260
Other taxation and social security	871	714
Other creditors	1,745	2,506
Accruals and deferred income	30,554	32,233
	<u>211,026</u>	<u>221,654</u>

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

	2010 £'000	2009 £'000
Obligations under finance leases and hire purchase contracts (see note 17)	95	379
Trade creditors	3,091	682
Accruals and deferred income	1,353	4,501
	<u>4,539</u>	<u>5,562</u>

17. BORROWINGS

	2010 £'000	2009 £'000
Obligations under finance leases and hire purchase contracts	362	658
Bank overdraft	153	31
	<u>515</u>	<u>689</u>
In one year or less	420	310
In more than one year but no more than two years	95	283
In more than two years but no more than five years	-	96
	<u>515</u>	<u>689</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 2010

18. PROVISIONS FOR LIABILITIES AND CHARGES

	Other £'000
At 1 April 2009	1,615
Utilised in the year	(422)
Charged to the profit and loss account	203
	<hr/>
At 31 March 2010	1,396
	<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

	2010 £'000	2009 £'000
<i>Authorised, allotted, called-up and fully-paid</i> 1,000,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

20. RESERVES

	Profit and loss account £'000
At 1 April 2009	76,865
Profit on ordinary activities after taxation	6,381
Dividends (see note 9)	(8,000)
	<hr/>
At 31 March 2010	75,246
	<hr/> <hr/>

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2010 £'000	2009 £'000
Profit for the financial year	6,381	5,032
Dividends (see note 9)	(8,000)	(9,000)
	<hr/>	<hr/>
Net movement in shareholders' funds	(1,619)	(3,968)
Opening shareholders' funds	77,865	81,833
	<hr/>	<hr/>
Closing shareholders' funds	76,246	77,865
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

22. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	-	1,321	120	1,236
- between two and five years	517	1	445	582
- after five years	2,693	-	2,092	-
	3,210	1,322	2,657	1,818

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

	2010 £'000	2009 £'000
Contracted for but not provided for		
Other	7,963	-

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 £1,128,000 (2009 - £1,019,000)

24. CONTINGENT LIABILITIES

There are cross guarantees on the overdrafts of certain undertakings in the group and certain bank loans. At 31 March 2010 the indebtedness of the UK group undertakings amounted to £81,707,000 (2009 - £76,520,000)

25. RELATED PARTY TRANSACTIONS

During the year, the company traded with Patriot Aviation Limited, Mallery Court Hotel Limited, Buckland Tout-Saint Hotel Limited, and Arden Hotel Investments Limited, companies in which Sir Peter Rigby is the director and majority shareholder

The company purchased goods and services from Mallery Court Hotel Limited during the year of £4,000 (2009 - £Nil) and made sales of £64,000 (2009 - £27,000). As at 31 March 2010, a net amount of £13,000 was owing by Mallery Court Hotel Limited (2009 - £10,000)

The company sold goods and services to Patriot Aviation Limited amounting to £24,000 (2009 - £23,000). As at 31 March 2010, a net amount of £9,000 was owing by Patriot Aviation Limited (2009 - £1,000)

During the prior year, the company made sales of £2,000 to Buckland Tout-Saint Hotel Limited. At either year end there were no amounts owing by Buckland Tout-Saint Hotel Limited

The company sold goods and services to Arden Hotel Investments Limited amounting to £39,000 (2009 - £Nil). As at 31 March 2010 a net amount of £35,000 was owing by Arden Hotel Investments Limited (2009 - £Nil)

**NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2010**

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.

Subsequent to year end, on 23 September 2010, Specialist Direct Limited acquired the entire issued share capital of the ultimate parent company of Specialist Computer Holdings Group. On 24 September 2010, Specialist Direct Limited changed its name to Rigby Family Holdings Limited. The ultimate parent company therefore is 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 Specialist Computer Holdings plc.

27. ULTIMATE CONTROLLING BODY

Sir Peter Rigby, a director of Specialist Computer Holdings plc and Rigby Family Holdings Limited controls the company as a result of controlling directly 76% of the issued 'A' ordinary share capital of Specialist Computer Holdings plc until 23 September 2010 and Rigby Family Holdings Limited post 23 September 2010.

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