

SPECIALIST COMPUTER CENTRES PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

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SPECIALIST COMPUTER CENTRES PLC

COMPANY INFORMATION

Directors	Sir Peter Rigby Ms P Rigby Mr J Rigby Mr S Rigby Ms J C Raybould Mr I P Scott Mr M J Swain Mrs P A Swain Mrs T Westall Mr P Everatt Mr J Bland
Secretary	Mr O G Williams
Company number	01428210
Registered office	James House Warwick Road Birmingham B11 2LE
Auditor	Deloitte LLP Chartered Accountants & Statutory Auditor Four Brindleyplace Birmingham B1 2HZ
Bankers	HSBC Bank plc 4th Floor 120 Edmund Street Birmingham B3 2QZ
Solicitors	Wragge & Co LLP 55 Colmore Row Birmingham B3 2AS

SPECIALIST COMPUTER CENTRES PLC

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SPECIALIST COMPUTER CENTRES PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2012

The directors present their report and financial statements for the year ended 31 March 2012

Principal activities

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

Business review

Despite competitive market conditions, the company experienced a successful year. Turnover increased by 14% to £642m following growth in all areas. Product revenues grew by 15% and services revenue grew by 6.5%. Growth in both public sector and private sector customers underpinned a successful year's trading.

Despite competitive pressures, gross margins were maintained at 12.6%, only slightly lower than the prior year's 12.8%. Overheads grew in the year by 3% at a headline level and at 5% after excluding exceptional operating items, as a result of additional headcount required to support higher turnover and profit levels.

The company continued to invest in its Data Centre, developing a secure Multi Tenanted Cloud solution for public sector customers which will be commissioned in the year to March 2013. The investment to date of £2.6m is included in tangible fixed assets as an asset in course of construction.

Trade debtors at the end of the financial year were £8m higher than the previous financial year close due to the increased March month sales. Average daily sales outstanding for the year were flat on the prior year at 40.8 and closed on 34.4 days, ahead of the prior years' 36.6 days.

During the year the company entered into a confidential invoice discounting facility with HSBC Bank on enhanced terms, replacing the previous facility. Borrowings under the facility were £Nil at the year end.

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 management 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.

SPECIALIST COMPUTER CENTRES PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

Business review (continued)

Key Performance Indicators (continued)

KPI	2012	2011
Turnover growth ¹	13.6%	15.5%
Gross profit percentage ²	12.6%	12.8%
Overhead costs percentage ³	11.0%	11.9%
Return on sales ⁴	1.5%	1.1%
Revenue per employee (£'000) ⁵	361	303

1 Turnover 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 SCH 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 generates almost all of its revenue represent a continuing risk. The company manages this risk by providing a high standard of service to its customers through fast response times in supplying products and handling queries. 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 assets safely and profitably.

The company and the SCH group has one principal source of external funding in the UK, which has a maturity date in February 2015.

SPECIALIST COMPUTER CENTRES PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 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 following directors have held office since 1 April 2011:

Sir Peter Rigby
Ms P Rigby
Mr J Rigby
Mr S Rigby
Ms J C Raybould
Mr I P Scott
Mr M J Swain
Mrs P A Swain
Mrs T Westall
Mr P Everatt
Mr 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.

SPECIALIST COMPUTER CENTRES PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' 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, subject to any material departures disclosed and explained in the financial statements,
- 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 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.

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 2012 were equivalent to 45 days' (2011 - 49 days') purchases, based on the average daily amount invoiced by suppliers.

SPECIALIST COMPUTER CENTRES PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

Charitable contributions and political donations

During the year the company made charitable donations of £Nil (2011 - £3,000)

There were no political contributions made during the year (2011 - £Nil)

Employees

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

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

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

Statement of disclosure to auditor

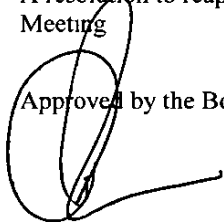
Each of the directors at the date of approval of this report confirms that

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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

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

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



Mr J Rigby
Director

28 September 2012

SPECIALIST COMPUTER CENTRES PLC

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPECIALIST COMPUTER CENTRES PLC

We have audited the financial statements of Specialist Computer Centres plc for the year ended 31 March 2012 which comprise the Profit and Loss account, the Balance Sheet and the related notes 1 to 26, set out on pages 8 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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.

SPECIALIST COMPUTER CENTRES PLC

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SPECIALIST COMPUTER CENTRES PLC

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

Alistair Pritchard FCA

**Alistair Pritchard FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP**

Chartered Accountants & Statutory Auditor
Four Brindleyplace
Birmingham
B1 2HZ

28 September 2012

SPECIALIST COMPUTER CENTRES PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	642,460	565,485
Cost of sales		<u>(561,781)</u>	<u>(493,069)</u>
Gross profit		80,679	72,416
Distribution costs		(24,456)	(24,640)
Administrative expenses (includes £Nil (2011 - £1,608,000) exceptional operating expenses, see note 3)		(46,357)	(44,138)
Other operating income		<u>128</u>	<u>-</u>
Operating profit		9,994	3,638
Investment income	4	-	1,232
Interest payable and similar charges	5	<u>(326)</u>	<u>(260)</u>
Profit on ordinary activities before taxation	6	9,668	4,610
Tax on profit on ordinary activities	9	<u>(2,711)</u>	<u>926</u>
Profit for the year	20	<u>6,957</u>	<u>5,536</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

SPECIALIST COMPUTER CENTRES PLC

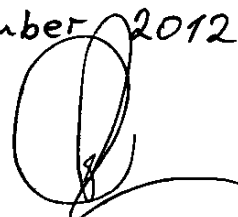
BALANCE SHEET

AS AT 31 MARCH 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	11	3,456	4,225
Tangible assets	12	28,850	26,277
Investments	13	74	116
		<u>32,380</u>	<u>30,618</u>
Current assets			
Stocks	14	33,936	28,724
Debtors	15	229,462	190,982
Cash at bank and in hand		95,896	94,531
		<u>359,294</u>	<u>314,237</u>
Creditors: amounts falling due within one year	16	<u>(300,579)</u>	<u>(261,998)</u>
Net current assets		<u>58,715</u>	<u>52,239</u>
Total assets less current liabilities		<u>91,095</u>	<u>82,857</u>
Creditors: amounts falling due after more than one year	17	(7,469)	(7,498)
Provisions for liabilities	18	<u>(1,887)</u>	<u>(577)</u>
		<u>81,739</u>	<u>74,782</u>
Capital and reserves			
Called up share capital	19	1,000	1,000
Profit and loss account	20	80,739	73,782
Shareholders' funds	21	<u>81,739</u>	<u>74,782</u>

Approved by the Board and authorised for issue on *28 September 2012*

Mr J Rigby
Director



Company Registration No. 01428210

SPECIALIST COMPUTER CENTRES PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently throughout the year and the preceding year (except as otherwise stated)

1.1 Basis of accounting

The financial statements are prepared under the historical cost convention

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

1.2 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 1 and 2. The director's report on pages 1 to 5 describes the financial position of the company, its financial risk management objectives and its exposure to credit risk and liquidity risk

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

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

The group has one primary source of external finance in the UK where loans and an overdraft are secured over the trade receivables of the principal UK companies, including those of the company. During November 2011, the group successfully negotiated a new facility in the UK which is due to expire in February 2015

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 financial statements

1.3 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

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

1 Accounting policies (continued)

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

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

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

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

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value

1.6 Stock

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

1.7 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

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

1 Accounting policies (continued)

1.8 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.

1.9 Lease accounting

Lease contracts sold

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

Lease contracts not subsequently reassigned

(a) Finance leases

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

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

(b) Operating leases

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

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

Leased assets

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

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

1.10 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.

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

1 Accounting policies (continued)

1.11 Foreign currency translation

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.

1.12 Derivative financial statements

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.

1.13 Finance costs

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

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

1.14 Rebates and marketing income

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

1.15 Government grants

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

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

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.

Geographical market

	2012 £'000	2011 £'000
United Kingdom	630,919	554,217
Continental Europe	11,260	11,087
Rest of the World	281	181
	<u>642,460</u>	<u>565,485</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

	2012 £'000	2011 £'000
Restructuring costs	-	888
Provisions against investments	-	720
	<u>-</u>	<u>1,608</u>

During the prior year, the company restructured its operations. Costs of £888,000 were incurred, which primarily related to redundancies.

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

The effect on taxation of the exceptional operating expenses in the prior year was to reduce the taxation charge by £249,000.

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

4 Investment income	2012	2011
	£'000	£'000
Income from shares in group undertakings	-	1,098
Capitalised interest	-	134
	<hr/>	<hr/>
	-	1,232
	<hr/>	<hr/>
5 Interest payable	2012	2011
	£'000	£'000
On amounts payable to group companies	-	134
On bank loans and overdrafts	10	-
Hire purchase interest	149	47
Other interest	167	79
	<hr/>	<hr/>
	326	260
	<hr/>	<hr/>
6 Profit on ordinary activities before taxation	2012	2011
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging		
Amortisation of intangible assets	676	482
Depreciation of tangible assets	5,438	4,071
Loss on disposal of tangible assets	101	1
Operating lease rentals		
- Plant and machinery	-	15
- Other	6,334	4,814
Fees payable to the company's auditor for the audit of the company's annual financial statements	72	70
and after crediting		
Profit on foreign exchange transactions	(175)	(59)
Government grant income	(128)	-
	<hr/>	<hr/>

Amounts payable to the auditor by the company in respect of non-audit services were £Nil (2011 - £Nil)

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

7 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2012	2011
	Number	Number
Sales	346	339
Engineering	1,014	1,101
Administrative	261	259
Warehouse	161	170
	<hr/>	<hr/>
	1,782	1,869
	<hr/>	<hr/>
Employment costs	2012	2011
	£'000	£'000
Wages and salaries	61,873	60,940
Social security costs	7,185	6,841
Other pension costs	1,029	1,118
	<hr/>	<hr/>
	70,087	68,899
	<hr/>	<hr/>

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

8	Directors' remuneration and transactions	2012	2011
		£'000	£'000
	Remuneration		
	The remuneration of the directors was as follows		
	Remuneration for qualifying services	1,766	1,501
	Company pension contributions to defined contribution schemes	77	70
		<u>1,843</u>	<u>1,571</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 (2011 - Nil). During the year, no share options were granted to the directors (2011 - Nil).

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

Pensions

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2011 - 7).

Highest-paid director

Remuneration disclosed above include the following amounts paid to the highest paid director

	2012	2011
	£'000	£'000
Remuneration for qualifying services	380	330
Company pension contributions to defined contribution schemes	17	14
	<u>397</u>	<u>344</u>

The highest paid director exercised no share options during the year (2011 - Nil) and was granted no share options during the year (2011 - Nil).

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

9 Taxation	2012 £'000	2011 £'000
Domestic current year tax		
U K corporation tax	1,875	147
Adjustment for prior years	(206)	(323)
Payment in respect of group relief	-	500
	<u>1,669</u>	<u>324</u>
Deferred tax		
Origination and reversal of timing differences	93	(661)
Deferred tax adjustments arising in previous periods	949	(589)
	<u>1,042</u>	<u>(1,250)</u>
	<u>2,711</u>	<u>(926)</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	9,668	4,610
	<u>9,668</u>	<u>4,610</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26% (2011 - 28%)	2,514	1,291
	<u>2,514</u>	<u>1,291</u>
Effects of		
Expenses not deductible for tax purposes	209	512
Depreciation in excess of capital allowances	56	692
Other timing differences	(344)	(67)
Impact of transfer of assets from group companies	-	(1,208)
Impact of change in UK corporation tax rate on deferred tax	(8)	24
Brought forward losses utilised	(9)	(5)
Receipt of group relief not paid for	(543)	(285)
Adjustment to tax charge in respect of previous periods	(206)	(323)
Income not taxable	-	(307)
	<u>(845)</u>	<u>(967)</u>
Current tax charge for the year	<u>1,669</u>	<u>324</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 26%

The corporation tax rate reduced from 28% to 26% with effect from 1 April 2011. The Government previously announced that the main rate of corporation tax would reduce by a further 1% per annum to 23% with effect from 1 April 2014. On 17 July 2012, the Government announced that the tax rate would be reduced to 23% with effect from 1 April 2013, with a further annual 1% reduction to 22% by 1 April 2014. These tax rate reductions had not been enacted at the balance sheet date and therefore have not been reflected in these financial statements.

The legislation to reduce the tax rate to 24% with effect from 1 April 2012 was substantively enacted on 21 March 2012 and therefore has been reflected in the financial statements for the purpose of calculating deferred tax assets and liabilities (2011 - 26%). The effect of the further tax rate reductions on the deferred tax balance will be accounted for in the periods in which the future tax rate reductions are substantively enacted.

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

10 Dividends	2012	2011
	£'000	£'000
Final dividend of £Nil (2011 - £7) per ordinary share	-	7,000

11 Intangible fixed assets	Intangible assets
	- goodwill
	£'000
Cost	
At 1 April 2011	6,972
Adjustments	(93)
At 31 March 2012	6,879
Amortisation	
At 1 April 2011	2,747
Charge for the year	676
At 31 March 2012	3,423
Net book value	
At 31 March 2012	3,456
At 31 March 2011	4,225

Adjustments

Adjustments for the year of £93,000 arise from revisions to the fair values of the underlying assets of Kavanagh Systems Limited

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

12 Tangible fixed assets

	Leasehold buildings £'000	Fixtures and equipment £'000	Assets in the course of construction £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2011	21,019	11,572	-	1,516	34,107
Additions	1,022	3,820	2,613	663	8,118
Disposals	(517)	(335)	-	(53)	(905)
At 31 March 2012	<u>21,524</u>	<u>15,057</u>	<u>2,613</u>	<u>2,126</u>	<u>41,320</u>
Depreciation					
At 1 April 2011	2,677	4,176	-	977	7,830
On disposals	(489)	(256)	-	(53)	(798)
Charge for the year	1,962	3,141	-	335	5,438
At 31 March 2012	<u>4,150</u>	<u>7,061</u>	<u>-</u>	<u>1,259</u>	<u>12,470</u>
Net book value					
At 31 March 2012	<u>17,374</u>	<u>7,996</u>	<u>2,613</u>	<u>867</u>	<u>28,850</u>
At 31 March 2011	<u>18,342</u>	<u>7,396</u>	<u>-</u>	<u>539</u>	<u>26,277</u>

Included above are assets held under finance leases or hire purchase contracts as follows

	Leasehold buildings £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Net book values				
At 31 March 2012	<u>3,069</u>	<u>-</u>	<u>398</u>	<u>3,467</u>
At 31 March 2011	<u>3,377</u>	<u>155</u>	<u>433</u>	<u>3,965</u>
Depreciation charge for the year				
At 31 March 2012	<u>308</u>	<u>155</u>	<u>259</u>	<u>722</u>
At 31 March 2011	<u>-</u>	<u>-</u>	<u>194</u>	<u>194</u>

Cumulative finance costs capitalised included in the cost of tangible fixed assets amount to £134,000 (2011 - £134,000)

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

13 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2011	1,962
Disposals	(42)
	<hr/>
At 31 March 2012	1,920
	<hr/>
Provisions for diminution in value	
At 1 April 2011 & at 31 March 2012	1,846
	<hr/>
Net book value	
At 31 March 2012	74
	<hr/>
At 31 March 2011	116
	<hr/>

The disposal of £42,000 relates to the reduction in deferred consideration payable for the shares in Technical Support Group Limited

Subsidiary undertakings

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	Country of Incorporation	Principal Activity	Percentage holding %
The Byte Shop Limited	England and Wales	Dormant	100
TW2 Communications Limited	England and Wales	Dormant	100
Kavanagh Enterprises Limited	England and Wales	Dormant	100
Technical Support Group Limited	England and Wales	Computer services	100

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

14	Stocks	2012 £'000	2011 £'000
	Maintenance stock	1,425	2,089
	Finished goods held for resale	32,511	26,635
		<u>33,936</u>	<u>28,724</u>

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

15	Debtors	2012 £'000	2011 £'000
	Amounts falling due within one year		
	Trade debtors	133,143	125,040
	Amounts owed by subsidiary undertakings	70,168	39,163
	Corporation tax	-	886
	Other debtors	18,819	16,783
	Prepayments and accrued income	6,395	7,131
	Deferred tax asset (see note 18)	937	1,979
		<u>229,462</u>	<u>190,982</u>

The trade debtors of the company act as security for a confidential invoice discounting facility

Amounts falling due after more than one year and included in the debtors above are

	2012 £'000	2011 £'000
Trade debtors	1,779	-
Other debtors	-	1,575
	<u>1,779</u>	<u>1,575</u>

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

16 Creditors: amounts falling due within one year	2012	2011
	£'000	£'000
Bank loans and overdrafts	-	109
Net obligations under hire purchase contracts	988	891
Trade creditors	237,132	208,938
Amounts owed to subsidiary undertakings	20,699	15,935
Corporation tax	190	-
Other taxes and social security costs	304	329
Government grants	1,282	1,410
Accruals and deferred income	39,984	34,386
	<u>300,579</u>	<u>261,998</u>
Debt due in one year or less	<u>988</u>	<u>1,000</u>

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

17 Creditors: amounts falling due after more than one year	2012	2011
	£'000	£'000
Net obligations under hire purchase contracts	2,235	2,792
Trade creditors	1,866	1,480
Accruals and deferred income	3,368	3,226
	<u>7,469</u>	<u>7,498</u>
Net obligations under hire purchase contracts		
Repayable within one year	988	891
Repayable between one and five years	2,155	811
Repayable after five years	80	1,981
	<u>3,223</u>	<u>3,683</u>
Included in liabilities falling due within one year	<u>(988)</u>	<u>(891)</u>
	<u>2,235</u>	<u>2,792</u>

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

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

18 Provisions for liabilities

	Other £'000
Balance at 1 April 2011	577
Charged to the profit and loss account	1,703
Utilised during the year	(393)
	<hr/>
Balance at 31 March 2012	1,887
	<hr/>

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

Deferred tax

Deferred taxation recognised in the financial statements and the amounts not recognised are as follows

	Not provided		Provided	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Accelerated capital allowances	-	-	(720)	(1,842)
Other timing differences	(199)	(363)	(37)	(137)
Tax losses available	(364)	(1,138)	(180)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax asset	(563)	(1,501)	(937)	(1,979)
	<hr/>	<hr/>	<hr/>	<hr/>

A deferred tax asset amounting to £364,000 (2011 - £1,138,000) 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 £199,000 (2011 - £363,000). 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.

19 Share capital

	2012 £'000	2011 £'000
Allotted, called up and fully paid		
1,000,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

20 Statement of movements on profit and loss account

	Profit and loss account
	£'000
Balance at 1 April 2011	73,782
Profit for the year	6,957
Balance at 31 March 2012	<u>80,739</u>

21 Reconciliation of movements in shareholders' funds

	2012	2011
	£'000	£'000
Profit for the financial year	6,957	5,536
Dividends (see note 10)	-	(7,000)
Net addition to/(depletion in) shareholders' funds	<u>6,957</u>	<u>(1,464)</u>
Opening shareholders' funds	74,782	76,246
Closing shareholders' funds	<u>81,739</u>	<u>74,782</u>

22 Financial commitments

At 31 March 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2013

	Land and buildings		Other	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	155	128	467	1,065
Between two and five years	2,068	1,178	1,008	948
In over five years	733	1,860	-	-
	<u>2,956</u>	<u>3,166</u>	<u>1,475</u>	<u>2,013</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

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

23 Pension and other post-retirement benefit commitments

Defined contribution

	2012 £'000	2011 £'000
Contributions payable by the company for the year	1,029	1,118

24 Contingent liabilities

There are cross guarantees on the overdrafts of certain undertakings in the group and certain bank loans. At 31 March 2012 the indebtedness of the UK group undertakings amounted to £101,723,000 (2011 - £105,624,000)

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

In April 2009, the Specialist Computer Holdings plc group disposed of its interest in SCC SpA and the acquirer was obliged to remove the company's guarantee. The guarantee was removed subsequent to year end, at a cost of £780,000 to the Specialist Computer Holdings plc group

25 Related party relationships and transactions

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

The company purchased goods and services from Mallory Court Hotel Limited during the year of £17,000 (2011 - £Nil) and made sales of £34,000 (2011 - £55,000). As at 31 March 2012, a net amount of £7,000 was owing by Mallory Court Hotel Limited (2011 - £6,000)

The company sold goods and services to Patriot Aviation Limited amounting to £14,000 (2011 - £52,000). As at 31 March 2012, a net amount of £30,000 was owing by Patriot Aviation Limited (2011 - £45,000)

The company sold goods and services to Arden Hotel Investments Limited amounting to £44,000 (2011 - £65,000). As at 31 March 2012 a net amount of £Nil was owing by Arden Hotel Investments Limited (2011 - £9,000)

The company purchased goods and services from Coventry Airport Limited during the year of £12,000 (2011 - £13,000) and made sales of £127,000 (2011 - £120,000). As at 31 March 2012, a net amount of £10,000 (2011 - £59,000) was owing by Coventry Airport Limited

The company sold goods and services to Eden Hotel Collection Limited amounting to £33,000 (2011 - £18,000). As at 31 March 2012, a net amount of £20,000 was owing by Eden Hotel Collection Limited (2011 - £6,000)

SPECIALIST COMPUTER CENTRES PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2012

26 Control

Ultimate parent undertaking

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

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

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

Ultimate controlling body

Sir Peter Rigby, a director of Rigby Family Holdings Limited, controlled the company as a result of holding 79% of the issued ordinary share capital of Rigby Family Holdings Limited, the ultimate parent undertaking.