Company Registration No. 1428210

Specialist Computer Centres plc

Report and Financial Statements

31 March 2008

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REPORT AND FINANCIAL STATEMENTS 2008

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OFFICERS AND PROFESSIONAL ADVISERS FOR THE YEAR ENDED 31 MARCH 2008

DIRECTORS

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

SECRETARY

N P Gilpin

REGISTERED OFFICE

James House
Warwick Road
Birmingham
B11 2LE

BANKERS

Barclays Bank plc
15 Colmore Row
Birmingham
B3 2WN

HSBC Bank plc
130 New Street
Birmingham
B2 4JU

SOLICITORS

Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Four Brindleyplace
Birmingham
B1 2HZ

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2008

The directors present their annual report and the audited financial statements for the year ended 31 March 2008

PRINCIPAL ACTIVITIES

The principal activities of the company are the provision of systems integration services and products related to the large scale computing and network requirements of major corporate organisations in the UK and on an international basis Services constitute a significant part of the company's revenue and profitability and account for the majority of the workforce where approximately two out of three personnel are employed in a service capacity Systems Integration is a long established and important aspect of the company's activities and this, coupled with the outsourcing of large scale corporate computing requirements, is the main thrust of the business

BUSINESS REVIEW

The company continued to operate successfully in a challenging market Turnover decreased from £615 7 million in 2007 to £508 6 million in 2008, due to the very competitive nature of the product marketplace, where vendors continue to seek to make sales directly to the company's customer base and due to the ongoing decline in unit prices

A significant level of non repeating sales in the prior year together with a slowdown in the purchasing patterns of city institutions in the second half of the year contributed to the lower product revenues compared to the previous year

Both product and service margins rose as the business focussed on more profitable product opportunities and on improving service contract performance Significant new service contracts were won in the second half of the year which will add turnover and margin in the coming financial year In line with the company's strategy of increasing the service mix, revenues from services rose from 17 5% to 19 4% of total turnover

Whilst the market in which the company operates remains challenging, the directors believe that the business's clearly defined strategy and compelling customer proposition leaves the company well placed to prosper in the coming year

The profit and loss account, which is set out on page 8 of the financial statements, shows a profit on ordinary activities after taxation of £6 6m compared with £13 5m in the previous year The directors have declared and paid a final dividend of £4 (2007 - £10) per ordinary share

The balance sheet on page 9 of the financial statements shows that the company's net assets as at the end of the financial year were consistent with those of the prior year Cash balances have improved by £20 5m reflecting the company's efforts to improve cash collection and the focus on working capital management

Detail of the amounts owed to the other group companies are set out in note 14 of the financial statements

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 sales turnover growth, gross profit percentage, overhead costs as a percentage of sales and pre-tax return on sales Working capital measurement includes inventory days, trade receivable days outstanding, overdue trade receivables and trade creditor days

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

DIRECTORS' REPORT (continued)

BUSINESS REVIEW (continued)

Key Performance Indicators (continued)

The table below sets out the key KPI's

KPI	2008	2007
Turnover (decline) growth[1]	(17 4%)	6 6%
Gross profit percentage[2]	14 7%	13 3%
Overhead costs percentage[3]	13 2%	10 3%
Return on sales[4]	1 5%	2 9%
Revenue per employee (£'000)[5]	248	294

1 Revenue (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 employee throughout the year

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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' REPORT (continued)

DIRECTORS

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

Sir Peter Rigby	
P A Rigby	
J P Rigby	
S P Rigby	
P A Eccleston	(resigned 19 August 2008)
J C Raybould	
P Everatt	(appointed 7 August 2007)
N P Gilpin	(appointed 7 August 2007)
M Rowen	(appointed 7 August 2007)
I Scott	
M Swain	
P Swain	(appointed 7 August 2007)
T Westall	
J Bland	

Directors' indemnities

The directors confirm under section 309 of the Companies Act 1985

- at the time this directors' report is signed, a qualifying third party indemnity provision (provided by the ultimate parent company, Specialist Computer Holdings plc) is in force to the benefit of all the directors of the company, and
- for the financial year ended 31 March 2008, a qualifying third party indemnity provision (provided by the ultimate parent company, Specialist Computer Holdings plc) was in force for the benefit of all the directors of the company

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 2008 were equivalent to 54 days' (2007 - 60 days') purchases, based on the average daily amount invoiced by suppliers

CHARITABLE CONTRIBUTIONS AND POLITICAL DONATIONS

During the year the company made charitable donations of £4,300 (2007 - £1,600)

There were no political contributions made during the year (2007 - £Nil)

EMPLOYEES

Details of the number of employees and associated costs can be found in note 5 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 the publication of a magazine by the ultimate parent company Specialist Computer Holdings Plc Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

DIRECTORS' REPORT (continued)

AUDITORS

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

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

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

A resolution to reappoint Deloitte & Touche 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
31 October 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SPECIALIST COMPUTER CENTRES PLC

We have audited the financial statements of Specialist Computer Centres plc for the year ended 31 March 2008 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 26 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom

31 October 2008

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2008

	Note	2008 £'000	2007 £'000
TURNOVER	2	508,609	615,707
Cost of sales		(434,042)	(533,698)
Gross profit		74,567	82,009
Distribution costs		(24,140)	(22,584)
Administrative expenses		(42,835)	(41,068)
OPERATING PROFIT		7,592	18,357
Finance charges (net)	3	28	(551)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	7,620	17,806
Tax on profit on ordinary activities	7	(1,027)	(4,349)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	19	6,593	13,457

All activity derives from continuing operations

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

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

BALANCE SHEET
31 MARCH 2008

	Note	2008 £'000	2007 £'000
FIXED ASSETS			
Intangible assets	9	2,155	3,233
Tangible assets	10	5,873	4,002
Investments	11	-	-
		8,028	7,235
CURRENT ASSETS			
Stocks	12	30,517	42,959
Debtors - Due within one year	13	140,385	173,279
Due after more than one year	13	9,155	14,236
Cash at bank and in hand		88,498	67,970
		268,555	298,444
CREDITORS: Amounts falling due within one year	14	(184,728)	(211,878)
NET CURRENT ASSETS		83,827	86,566
TOTAL ASSETS LESS CURRENT LIABILITIES		91,855	93,801
CREDITORS: Amounts falling due after more than one year	15	(7,998)	(11,270)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(2,024)	(3,291)
NET ASSETS		81,833	79,240
CAPITAL AND RESERVES			
Called up share capital	18	1,000	1,000
Profit and loss account	19	80,833	78,240
SHAREHOLDERS' FUNDS	20	81,833	79,240

The financial statements on pages 8 to 23 were approved and authorised for issue by the Board of Directors on 31 October 2008 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 2008

1. ACCOUNTING POLICIES

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

Basis of accounting

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

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Specialist Computer Holdings plc, which prepared consolidated financial statements which are publicly available The company is also, on this basis, exempt from the requirement of Financial Reporting Standard Number 1 to present a cash flow statement

Intangible assets – goodwill

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

Tangible fixed assets

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

Short leasehold improvements	10 years
Fixtures and equipment	3 to 10 years
Motor vehicles	4 years

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

Investments

Fixed asset investments are shown at cost less provision for impairment

Stocks

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

1. **ACCOUNTING POLICIES (continued)**

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 vale 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 represents the depreciation charge of the leased equipment

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES (continued)

Lease accounting (continued)

Leased assets

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

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

Pension costs

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

Foreign currency

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

Derivative financial instruments

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

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

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

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

Maintenance income

Income arising from service contracts is recognised on a straight-line basis over the period of the contracts

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

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. SEGMENT INFORMATION

The whole of the company's turnover and operating profit derives from the company's principal activities which originate in the United Kingdom An analysis of turnover by geographical destination is given below

	2008 £'000	2007 £'000
United Kingdom	504,439	613,121
Continental Europe	3,872	2,381
Rest of the World	298	205
	508,609	615,707

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

3. FINANCE CHARGES (NET)

Investment income

	2008 £'000	2007 £'000
Other interest receivable and similar income	53	60
	53	60

Interest payable and similar charges

	2008 £'000	2007 £'000
Finance leases and hire purchase contracts	25	38
Other interest payable	-	573
	25	611

Net interest payable

	2008 £'000	2007 £'000
Interest payable and similar charges	25	611
Less Investment income	(53)	(60)
	(28)	551

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

4. PROFIT ON ORDINARY ACTIVITES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	2008 £'000	2007 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	1,111	1,207
- held under finance leases and hire purchase agreements	225	368
Loss on disposal of fixed assets	8	563
Amortisation of goodwill	1,078	1,078
Operating lease rentals		
- plant and machinery	16	15
- other	4,380	4,488

The analysis of auditors' remunerations is as follows

	2008 £'000	2007 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	89	87
Total audit fees	89	87
Other services pursuant to legislation		
- Tax services	12	-
Total non-audit fees	12	-

5. STAFF COSTS

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

	2008 Number	2007 Number
Sales	229	287
Engineering	1,199	1,282
Administrative	371	263
Warehouse	249	264
	2,048	2,096

Their aggregate remuneration comprised

	2008 £'000	2007 £'000
Wages and salaries	64,628	61,798
Social security costs	6,004	6,035
Other pension costs (see note 22)	995	871
	71,627	68,704

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

6. DIRECTORS' REMUNERATION AND TRANSACTIONS

Remuneration

The remuneration of the directors was as follows

	2008 £'000	2007 £'000
Emoluments	1,763	1,225
Company contributions to private pension schemes	121	47
	1,884	1,272

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 (2007 - Nil) During the year, no share options were granted to the directors (2007 - 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

Pensions

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

	2008 Number	2007 Number
Defined contribution pension scheme	8	6

Highest-paid director

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

	2008 £'000	2007 £'000
Emoluments	258	305
Company pension contributions	13	8
	271	313

The highest paid director exercised no share options during the year (2007 - Nil) and was granted no share options during the year (2007 - Nil)

NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2008

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises

	2008 £'000	2007 £'000
Current tax		
UK corporation tax	1,590	4,413
Adjustments in respect of prior years		
- UK corporation tax	(1,092)	(335)
- Foreign tax	20	-
Total current tax	518	4,078
Deferred tax		
Origination and reversal of timing differences	178	311
Adjustments in respect of prior years	331	(40)
Total deferred tax (see note 13)	509	271
Total tax on profit on ordinary activities	1,027	4,349

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

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	7,620	17,806
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2007 - 30%)	2,286	5,342
Effects of		
Expenses not deductible for tax purposes	709	900
Capital allowances in excess of depreciation	(248)	(342)
Other timing differences	70	31
Impact of change in the UK Corporation tax rate on deferred tax	(11)	-
Brought forward losses utilised	(6)	(15)
Receipt of group relief not paid for	(1,210)	(1,503)
Adjustments to tax charge in respect of previous periods	(1,072)	(335)
Current tax charge for the period	518	4,078

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 30%

In March 2007, the UK Government announced that they would introduce legislation that would reduce the corporation tax rate to 28%, with effect from 1 April 2008 This legislation was substantively enacted on 26 June 2007 The deferred tax assets and liabilities as at 31 March 2008 are stated at 28% of the temporary differences The effective rate for the period to 31 March 2009 will reduce to 28%

8. DIVIDENDS

	2008 £'000	2007 £'000
Final declared dividend of £4 (2007 - £10) per ordinary share	4,000	10,000
	4,000	10,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

9. INTANGIBLE FIXED ASSETS – GOODWILL

	£'000
Cost	
At 1 April 2007 and 31 March 2008	10,330
Amortisation	
At 1 April 2007	7,097
Charge for the year	1,078
At 31 March 2008	8,175
Net book value	
At 31 March 2008	2,155
At 31 March 2007	3,233

In October 2007, the company acquired the trade and assets of IT247 com Limited for a cash consideration of £66,000

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

	Book value	Revaluation	Fair value to company
	£'000	£'000	£'000
Fixed assets			
Tangible	66	48	114
Current assets			
Stock	43	(43)	-
Total assets	109	5	114
Creditors			
Other creditors	-	(48)	(48)
Total liabilities	-	(48)	(48)
Net assets	109	(43)	66
Satisfied by			
Cash			66

Fair value adjustments comprise £48,000 website development costs, a £43,000 provision against stock, and an accrual for additional costs of £48,000

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

10. TANGIBLE FIXED ASSETS

	Short leasehold improvements	Fixtures and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2007	2,791	5,819	776	9,386
Additions	1,829	1,140	276	3,245
Disposals	(93)	(2,415)	(67)	(2,575)
At 31 March 2008	4,527	4,544	985	10,056
Depreciation				
At 1 April 2007	912	3,809	663	5,384
Charge for the year	383	841	112	1,336
Disposals	(67)	(2,403)	(67)	(2,537)
At 31 March 2008	1,228	2,247	708	4,183
Net book value				
At 31 March 2008	3,299	2,297	277	5,873
At 31 March 2007	1,879	2,010	113	4,002

Finance leases and hire purchase asset included above

Net book value				
At 31 March 2008	-	14	277	291
At 31 March 2007	-	136	112	348

11. FIXED ASSET INVESTMENTS

	2008 £'000	2007 £'000
Subsidiary undertakings	-	-

The company has investments in the following

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

12. STOCKS

	2008 £'000	2007 £'000
Finished goods held for resale	27,582	41,107
Maintenance stock	2,935	1,852
	30,517	42,959

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

13. DEBTORS

Amounts falling due within one year	2008 £'000	2007 £'000
Trade debtors	83,055	130,930
Amounts owed by group undertakings	34,506	26,925
Other debtors	8,688	10,143
VAT	6,097	-
UK Corporation tax	2,612	-
Prepayments and accrued income	4,428	3,773
Deferred taxation	999	1,508
	140,385	173,279

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	2008 £'000	2007 £'000
Trade debtors	6,333	12,667
Other debtors	2,822	1,569
	9,155	14,236

The movement on deferred taxation is as follows

	Deferred taxation asset £'000
At 1 April 2007	1,508
Charged to the profit and loss account (see note 7)	(509)
At 31 March 2008	999

Deferred taxation asset is recognised as follows

	2008 £'000	2007 £'000
Accelerated capital allowances	691	1,088
Other timing differences	308	420
Undiscounted asset for deferred tax	999	1,508

Deferred tax asset is not recognised as follows

	2008 £'000	2007 £'000
Losses	309	334
Other timing differences	311	333
	620	667

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

13. DEBTORS (continued)

A deferred tax asset amounting to £309,000 (2007 - £334,000) 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 £311,000 (2007 - £333,000) 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

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Obligations under finance leases and hire purchase contracts (see note 16)	165	248
Bank overdraft	14	-
Trade creditors	128,664	152,836
Amounts owed to group undertakings	22,381	14,267
UK corporation tax	-	1,892
Other taxation and social security	520	354
Other creditors	5,260	3,266
Accruals and deferred income	27,724	39,015
	184,728	211,878

The bank overdraft is secured by unlimited multi-lateral guarantees provided by certain other UK group companies (see note 23)

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

	2008 £'000	2007 £'000
Obligations under finance leases and hire purchase contracts (see note 16)	201	70
Accruals and deferred income	7,797	11,200
	7,998	11,270

16. BORROWINGS

	2008 £'000	2007 £'000
Obligations under finance leases and hire purchase contracts	366	318
In one year or less	165	248
In more than one year but no more than two years	108	70
In more than two years but no more than five years	93	-
	366	318

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Other £'000
At 1 April 2007	3,291
Utilised in the year	(410)
Released to the profit and loss account	(857)
At 31 March 2008	2,024

Provisions for liabilities and charges comprise onerous lease provisions which will be utilised over periods of between 2 years and 12 years

18. CALLED-UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised, allotted, called-up and fully-paid		
1,000,000 ordinary shares of £1 each	1,000	1,000

19. RESERVES

	Profit and loss account £'000
At 1 April 2007	78,240
Profit on ordinary activities after taxation	6,593
Dividends (see note 8)	(4,000)
At 31 March 2008	80,833

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £'000	2007 £'000
Profit for the financial year	6,593	13,457
Dividends (see note 8)	(4,000)	(10,000)
Net movement in shareholders' funds	2,593	3,457
Opening shareholders' funds	79,240	75,783
Closing shareholders' funds	81,833	79,240

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

21 FINANCIAL COMMITMENTS

There were no capital commitments at either year end

Annual commitments under non-cancellable operating leases are as follows

	2008		2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	64	364	64	262
- between two and five years	529	1,090	298	1,423
- after five years	1,918	-	2,427	-
	2,511	1,454	2,789	1,685

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

22. 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 £995,000 (2007 - £871,000)

23. CONTINGENT LIABILITIES

There are cross guarantees on the overdrafts of certain undertakings in the group and certain bank loans At 31 March 2008 the indebtedness of the UK group undertakings amounted to £88,040,000 (2007 - £94,707,000)

24. RELATED PARTY TRANSACTIONS

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

The company purchased goods and services from Mallory Court Hotel Limited during the year of £3,000 (2007 - £6,000) and made sales of £29,000 (2007 - £42,000) As at 31 March 2008, a net amount of £1,000 was owing by Mallory Court Hotel Limited (2007 - £34,000)

The company purchased goods and services from Patriot Aviation Limited of £Nil (2007 - £3,000) and made sales of £25,000 (2007 - £28,000) As at 31 March 2008, a net amount of £10,000 was owing by Patriot Aviation Limited (2007 - £34,000)

The company made sales of £3,000 to Buckland Tout-Saint Hotel Limited As at 31 March 2008, a net amount of £1,000 was owing by Buckland Tout-Saint Hotel Limited

25. ULTIMATE PARENT UNDERTAKING

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2008

26. ULTIMATE CONTROLLING BODY

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