

Directors' report

For the year ended 31 March 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 March 2002.

Principal activities and business review

The principal activities of the company are the operation of a computer processing bureau, three data preparation bureaux and a laser printing capability.

The directors expect the general level of activity to continue in the foreseeable future.

Results and dividends

The audited financial statements for the year ended 31 March 2002 are set out on pages 6 to 18. The loss for the year after taxation was £102,000 (2001 (as restated – note 9) profit of - £211,000).

The directors do not recommend the payment of a dividend (2001 - £10 per ordinary share).

Directors and their interests

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

Sir Peter Rigby

P A Rigby

R Vickers

Directors' interests

Sir Peter Rigby and Ms P A Rigby are also directors of the ultimate parent company, Specialist Computer Holdings plc, and their interests in the share capital of that company are disclosed in its financial statements. The interests of R Vickers in the share capital of Specialist Computer Holdings plc at 31 March 2002 are set out below.

Shares

The beneficial interests of the directors in office at 31 March 2002 in the 'B' ordinary shares of Specialist Computer Holdings plc were as follows:

	31 March 2002 Number	31 March 2001 Number
R Vickers	600	-

Directors' report (continued)

Directors and their interests (continued)*Share options*

The beneficial interests of the directors in office at 31 March 2002 in options in the "B" ordinary shares of Specialist Computer Holdings plc were as follows:

	Date of granting	Option price	5p 'B' ordinary shares 31 March 2002	5p 'B' ordinary shares 31 March 2001
R Vickers	1 February 1995	105p	250	250
	27 February 1996	150p	250	250
	27 February 1997	230p	250	250

The options are exercisable between three and ten years after granting. Specialist Computer Holdings plc is not a listed company. The market value of shares are determined according to the share option scheme rules.

No director has any other interest in the share capital of the company requiring disclosure under Schedule 7 of the Companies Act 1985.

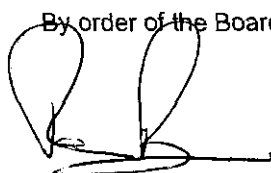
Auditors

On 31 July 2002, Arthur Andersen resigned as auditors of the company. Deloitte & Touche were appointed as the company's auditors to fill the resulting vacancy.

The directors will place a resolution before the annual general meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

James House
Warwick Road
Birmingham
B11 2LE

By order of the Board



Sir Peter Rigby

10 December 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; 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 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

Independent auditors' report to the members of Specialist Computer Services Limited

We have audited the financial statements of Specialist Computer Services Limited for the year ended 31 March 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company and other members of the group is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 circumstances of the company and the group, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
Birmingham

26 January 2003

Profit and loss account

For the year ended 31 March 2002

	Notes	2002 £'000	As restated (note 9) 2001 £'000
Turnover	1	1,947	2,658
Cost of sales		(1,382)	(1,770)
Gross profit		565	888
Administrative expenses	2	(647)	(673)
Operating (loss) profit		(82)	215
Interest payable and similar charges	3	(22)	(1)
(Loss) profit on ordinary activities before taxation	4	(104)	214
Tax on (loss) profit on ordinary activities	7	2	(3)
(Loss) profit on ordinary activities after taxation		(102)	211
Dividends paid and proposed	8	-	(500)
Retained loss for the year	16	(102)	(289)

All activity derives from continuing operations.

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

Statement of total recognised gains and losses

For the year ended 31 March 2002

	2002 £'000	As restated (note 9) 2001 £'000
(Loss) profit for the financial year	(102)	211
Total recognised gains and losses relating to the year	(102)	211
Prior year adjustment (as explained in note 9)	10	
Total gains and losses recognised since last annual report and financial statements	(92)	

The accompanying notes are an integral part of this statement of recognised gains and losses.

Balance sheet

31 March 2002

	Notes	2002 £'000	As restated (note 9) 2001 £'000
Fixed assets			
Tangible assets	10	75	123
Current assets			
Stocks	11	7	7
Debtors	12	485	555
Cash at bank and in hand		26	190
		518	752
Creditors: Amounts falling due within one year	13	(271)	(454)
Net current assets		247	298
Total assets less current liabilities		322	421
Creditors: Amounts falling due after more than one year	14	(3)	-
Net assets		319	421
Capital and reserves			
Called-up share capital	15	50	50
Profit and loss account	16	269	371
Shareholders' funds, all equity	17	319	421

The financial statements on pages 6 to 18 were approved by the board of directors on 10 December 2002 and signed on its behalf by:

Sir Peter Rigby



Director

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

Statement of accounting policies

31 March 2002

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, with the exception of the policy on deferred tax which has been changed, as explained in note 9, to comply with Financial Reporting Standard Number 19 "Deferred tax".

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Under the provisions of Financial Reporting Standard Number 1, the company has not prepared a cash flow statement as, the ultimate holding company, Specialist Computer Holdings plc, has prepared publicly available consolidated financial statements which include the financial statements of the company for the year ended 31 March 2002.

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:

Leasehold improvements	10 years
Fixtures and equipment	3-5 years

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

Stocks

Raw materials and consumables are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items where appropriate.

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 substantially 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 likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Statement of accounting policies (continued)**Taxation (continued)**

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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.

Pension costs

The company makes contributions to employees private pension schemes. 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.

Leases

Assets held under finance leases and other similar contracts 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 lease to produce a constant rate of charge on the balance of capital repayments outstanding.

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.

Notes to the financial statements

31 March 2002

1 Segment information

The whole of the company's turnover derives from the company's principal activities and has arisen wholly within the United Kingdom.

2 Distribution and administrative expenses

	2002 £'000	2001 £'000
Distribution costs	-	-
Administrative expenses	647	673
	<u>647</u>	<u>673</u>

During the year the directors have revised their allocation of certain costs between distribution costs and administrative expenses, and believe the revised allocations are more appropriate. The prior year comparatives for distribution costs and administrative expenses have been restated onto a basis more consistent with the current year. The restatement has not resulted in any change to the level of overall operating expenses.

3 Interest payable and similar charges

	2002 £'000	2001 £'000
Finance leases and hire purchase contracts	<u>22</u>	<u>1</u>

4 (Loss) profit on ordinary activities before taxation

(Loss) profit on ordinary activities before taxation is stated after charging:

	2002 £'000	2001 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	33	29
- held under finance leases and hire purchase contracts	16	17
Operating lease rentals		
- other	89	89
Auditors' remuneration for audit services	<u>2</u>	<u>5</u>

Included above is £1,500 (2001 - £5,000) in respect of audit fees paid to the previous auditors, Arthur Andersen.

Amounts payable to the auditors by the company in respect of non-audit services were £Nil (2001 - £Nil).

Notes to the financial statements (continued)

5 Staff costs

The average monthly number of employees (including executive directors) for the year was 76 (2001 – 93).

Their aggregate remuneration comprised:

	2002 £'000	2001 £'000
Wages and salaries	1,022	1,256
Social security costs	80	101
Other pension costs (see note 19)	10	10
	<u>1,112</u>	<u>1,367</u>

6 Directors' remuneration and transactions*Remuneration*

The remuneration of the directors was as follows:

	2002 £'000	2001 £'000
Emoluments	56	56
Company contributions to personal pension scheme	3	3
	<u>59</u>	<u>59</u>

Directors' emoluments relate to those of R Vickers. The above amounts do not include any gains made on the exercise of share options or the value of any shares or share option received.

No director exercised share options in the year (2001 – Nil). There were no share options granted in the year (2001 – Nil).

The emoluments of Sir Peter Rigby and Ms P A 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.

However, 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.

Notes to the financial statements (continued)

6 Directors' remuneration and transactions (continued)
Pensions

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

	2002 Number	2001 Number
Defined contribution schemes	<u>2</u>	<u>2</u>

7 Tax on (loss) profit on ordinary activities

The tax (credit) charge comprises:

	2002 £'000	As restated (note 9) 2001 £'000
Current tax		
UK corporation tax	-	3
Adjustments in respect of prior years		
- UK corporation tax	-	(12)
Total current tax	-	(9)
Deferred tax		
Origination and reversal of timing differences	(2)	12
Total deferred tax (see note 12)	(2)	12
Total tax on (loss) profit on ordinary activities	<u>(2)</u>	<u>3</u>

Notes to the financial statements (continued)

7 Tax on (loss) profit on ordinary activities (continued)

The differences between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss) profit before tax is as follows:

	2002 £'000	2001 £'000
(Loss) profit on ordinary activities before tax	(104)	214
Tax on (loss) profit on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	(31)	64
Effects of:		
Capital allowances in excess of depreciation	3	-
Depreciation in excess of capital allowances	-	(9)
Surrender of group relief not paid for	29	-
Movement in short term timing differences	(1)	(3)
Adjustments to tax charge in respect of prior periods	-	(12)
Group relief claimed not paid for	-	(49)
Current tax charge (credit) for period	-	(9)

8 Dividends paid and proposed

	2002 £'000	2001 £'000
Final paid of £Nil (2001 – £10) per ordinary share	-	500

9 Prior year adjustment

The company's policy for accounting for deferred tax has changed to comply with Financial Reporting Standard Number 19 "Deferred tax". Previously deferred tax was only provided to the extent that timing differences were expected to reverse in the future without being replaced. Deferred tax is now provided 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. The statement of accounting policies describes the full deferred tax policy. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

Notes to the financial statements (continued)

9 Prior year adjustment (continued)

The effects of the change in policy are summarised below:

	2002 £'000	2001 £'000
Profit and loss account		
(Decrease) increase in deferred tax charge for the year	(2)	12
Increase (decrease) in profit for the financial year	2	(12)
Balance sheet		
Increase in deferred tax asset	12	10
Increase in net assets	12	10

10 Tangible fixed assets

	Leasehold improvements £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 April 2001	11	767	778
Additions	-	1	1
At 31 March 2002	11	768	779
Depreciation			
At 1 April 2001	11	644	655
Charge for the year	-	49	49
At 31 March 2002	11	693	704
Net book value			
At 31 March 2002	-	75	75
At 31 March 2001	-	123	123

Assets held under finance leases have a cost of £83,000 (2001 - £83,000) and a net book value of £28,000 (2001 - £44,000) at 31 March 2002.

11 Stocks

	2002 £'000	2001 £'000
Raw materials and consumables	7	7

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

Notes to the financial statements (continued)

12 Debtors

	2002 £'000	As restated (note 9) 2001 £'000
Amounts falling due within one year:		
Trade debtors	396	470
Prepayments and accrued income	77	75
Deferred tax	12	10
	<u>485</u>	<u>555</u>

The movement on deferred tax is as follows:

	Deferred taxation £'000
At 31 March 2001 as previously stated	-
Prior year adjustment (see note 9)	10
At 1 April 2001 as restated	10
Credited to profit and loss account (see note 7)	2
At 31 March 2002	<u>12</u>

Deferred tax asset is recognised as follows:

	2002 £'000	2001 £'000
Accelerated capital allowances	12	9
Other timing differences	-	1
Undiscounted asset for deferred tax	<u>12</u>	<u>10</u>

There is no unrecognised deferred tax asset or liability at either year end.

Notes to the financial statements (continued)

13 Creditors: Amounts falling due within one year

	2002 £'000	2001 £'000
Obligations under finance leases and hire purchase contracts	8	14
Trade creditors	108	84
Amounts owed to group undertakings	74	246
UK corporation tax	-	4
Other taxation and social security	26	28
Accruals and deferred income	55	78
	<u>271</u>	<u>454</u>

14 Creditors: Amounts falling due after more than one year

	2002 £'000	2001 £'000
Obligations under finance leases and hire purchase contracts	<u>3</u>	<u>-</u>

15 Called-up share capital

	2002 £'000	2001 £'000
<i>Authorised, allotted, called-up and fully-paid</i>		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>

16 Reserves

	Profit and loss account £'000
At 31 March 2001 as previously stated	361
Prior year adjustment (note 9)	<u>10</u>
At 1 April 2001 as restated	371
Retained loss for the financial year	<u>(102)</u>
At 31 March 2002	<u>269</u>

Notes to the financial statements (continued)

17 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
(Loss) profit for the financial year	(102)	211
Dividends paid and proposed	-	(500)
Net decrease in shareholders' funds	(102)	(289)
Opening shareholders' funds as previously stated	411	688
Prior year adjustment (note 9)	10	22
Opening shareholders funds as restated	421	710
Closing shareholders' funds	319	421

18 Financial commitments

There were no capital commitments at either year end.

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

	Land and buildings	
	2002 £'000	2001 £'000
Expiry date		
- between two and five years	89	89

19 Pension arrangements

The company makes contributions to individuals private pension schemes, for which the pension cost and charge for the year amounted to £10,000 (2001 - £10,000).

20 Contingent liabilities

There are cross guarantees on the overdrafts of all undertakings in the group and certain bank loans. At 31 March 2002 the indebtedness of the other group undertakings amounted to £68,183,000 (2001 - £39,921,000).

21 Related party transactions

During the year the company traded with Prime Properties Developments Limited, a company in which Sir Peter Rigby is the major shareholder and director. The company made purchases of £94,000 (2001 - £95,000) and owed Prime Properties Developments Limited £Nil (2001 - £Nil) at the balance sheet date.

Notes to the financial statements (continued)

22 Ultimate parent undertaking

The company is a wholly owned 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 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 is Financial Reporting Standard Number 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Specialist Computer Holdings plc.

23 Ultimate controlling body

Sir P 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.