

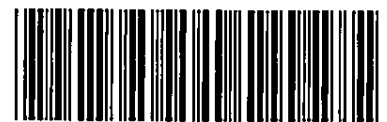
Company Registration No 2174990 (England and Wales)

SOFTCAT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2007

Faulkner House
Victoria Street
St Albans
Herts

Rayner Essex
Chartered Accountants

FRIDAY



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30/05/2008

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COMPANIES HOUSE

SOFTCAT LIMITED

COMPANY INFORMATION

Directors

P D J Kelly
W J Kenny
D Fawell
D E Simpson
J A S Nash
M J Hellawell
D Ridgway (Appointed 31 July 2007)

Secretary

W J Kenny

Company number

2174990

Registered office

Morton House
Thames Valley Industrial Park
Marlow
Bucks
SL7 1TB

Auditors

Rayner Essex
Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

SOFTCAT LIMITED

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SOFTCAT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2007

The directors present their report and financial statements for the year ended 31 July 2007

Principal activities and review of the business

The principal activity of the company continued to be that of value added IT reseller to the corporate market

Softcat Limited provides IT procurement services to the SMB market, sales being predominately within the UK

The directors are pleased to report another very successful year for 2007

Turnover

Turnover for the year under review amounted to £89.1 million. This represents an 32% increase over the same period to 31 July 2006. This was broadly in line with expectations with each of the four sales divisions (Software, Hardware, Security and IT Services) all performing well, with particularly strong growth noted in Hardware and IT Services divisions.

Operating profit

Operating profit increased by over 100% from £1.31 million in 2006 to £3.33 million in 2007. This exceeded budget and was achieved by the strong growth in the higher margin divisions of Security and IT Services while maintaining healthy margins on the core Software licensing and Hardware business.

Profit before tax

Profit before tax increased by over 100% to £3.47 million, representing 4% of turnover (2006: 2.6%).

The company is optimistic about the prospects for the forthcoming year and, as a result, has budgeted for Turnover to grow to £113 million and Profit before tax to grow to £5 million.

The directors use a number of measures, both financial and non-financial, by which to monitor and benchmark performance. As well as the key financial indicators mentioned above, they also regard the following as important:

Staff numbers and recruitment

Staff retention rates are monitored and the company continues to focus on sales recruitment. During the year, average staff numbers increased from 125 to 143.

Debtor days

Debtor days are regularly monitored. As at 31 July 2007, debtor days were 49 (2006: 46).

SOFTCAT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

Principal activities and review of the business (continued)

Customer satisfaction

The company constantly requests feedback from its customers on service levels and overall customer satisfaction. Below is a brief summary of the results of the latest survey of 582 customers

| | | |
|-------------------|-----|--------|
| Very satisfied | 404 | 69.9% |
| Satisfied | 162 | 28.2% |
| Dissatisfied | 10 | 1.7% |
| Very dissatisfied | 2 | 0.2% |
| Blank | 4 | 0% |
| Total | 582 | 100.0% |

Results and dividends

The results for the year are set out on page 8

The directors do not recommend payment of a final dividend

Directors

The following directors have held office since 1 August 2006

P D J Kelly

W J Kenny

D Fawell

D E Simpson

J A S Nash

J J Paish

(Resigned 31 October 2007)

M J Hellawell

D Ridgway

(Appointed 31 July 2007)

Directors' interests

The directors' interests in the shares of the company were as stated below

| | 'MR' shares of 1p each | | Ordinary shares of 1p each | |
|---------------|------------------------|------------------|----------------------------|------------------|
| | 31 July 2007 | 1 August 2006 | 31 July 2007 | 1 August 2006 |
| P D J Kelly | 188,500 | 188,500 | 4,356,955 | 4,356,955 |
| W J Kenny | - | - | 312,691 | 312,691 |
| D Fawell | - | - | 312,691 | 312,691 |
| D E Simpson | - | - | 312,691 | 312,691 |
| J A S Nash | - | - | 1,170,191 | 1,170,191 |
| J J Paish | - | - | - | - |
| M J Hellawell | - | - | - | - |

SOFTCAT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

Directors' interests in share options

The company operates a tax authority-approved Enterprise Management Incentive Share Option Scheme so as to encourage share ownership by all eligible employees, including directors

At the balance sheet date the directors had interests in the following share options -

| | Options held as at 1 August 2006 | Options granted during year | Options exercised during year | Options held as at 31 July 2007 | Exercise price (pence) | Date from which exercisable | Expiry date |
|----------------------|--|-----------------------------------|-------------------------------------|---------------------------------------|------------------------------|-----------------------------------|-------------|
| W J Kenny | | | | | | | |
| EMISOS (i) | 5,452 | - | - | 5,452 | 47 | May 2005 | April 2013 |
| EMISOS (i) | 5,594 | - | - | 5,594 | 220 | July 2007 | June 2015 |
| EMISOS (i) | 6,374 | - | - | 6,374 | 120 | June 2008 | May 2016 |
| D Fawell | | | | | | | |
| EMISOS (i) | 5,291 | - | - | 5,291 | 47 | May 2005 | April 2013 |
| EMISOS (i) | 5,433 | - | - | 5,433 | 220 | July 2007 | June 2015 |
| EMISOS (i) | 6,587 | - | - | 6,587 | 120 | June 2008 | May 2016 |
| D E Simpson | | | | | | | |
| EMISOS (i) | 5,284 | - | - | 5,284 | 47 | May 2005 | April 2013 |
| EMISOS (i) | 5,426 | - | - | 5,426 | 220 | July 2007 | June 2015 |
| EMISOS (i) | 6,587 | - | - | 6,587 | 120 | June 2008 | May 2016 |
| J J Paish | | | | | | | |
| EMISOS (i) | 18,487 | - | - | 18,487 | 47 | May 2005 | April 2013 |
| EMISOS (i) | 38,800 | - | - | 38,800 | 220 | July 2007 | June 2015 |
| EMISOS (i) | 7,012 | - | - | 7,012 | 120 | June 2008 | May 2016 |
| M J Hellawell | | | | | | | |
| EMISOS (i) | 74,074 | - | - | 74,074 | 135 | Aug 2007 | Jan 2016 |
| Other options (ii) | 128,565 | - | - | 128,565 | 135 | Aug 2007 | Jan 2016 |
| | 318,966 | - | - | 318,966 | | | |

(i) Enterprise Management Incentive Share Option Scheme (EMISOS)

Options were granted to the directors under the terms of the EMISOS on 1 May 2003, 9 September 2004, 1 February and 23 June 2006

(ii) Shares were issued in an unapproved share option scheme on 1 February 2006

SOFTCAT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

| Charitable donations | 2007 | 2006 |
|---|--------------|--------------|
| | £ | £ |
| During the year the company made the following payments | | |
| Charitable donations | <u>8,085</u> | <u>1,876</u> |

Financial risk management

The company uses financial instruments comprising bank overdrafts and cash, together with various items such as trade debtors and trade creditors that arise directly from its operations

The main risks arising from the financial instruments are credit risk, interest rate risk and liquidity risk. The company reviews and agrees policies for managing these risks as detailed below

Credit risk

The company credit checks all new accounts before shipping goods, consistently reviews all debtors to ensure they do not fall outside the agreed terms, insures all debts through a reputable credit insurer

Interest rate risk

The company accepts the risk of losing interest on deposits due to interest rate cuts

Liquidity risk

Bank balances are structured so as to enable cash to be available when required. Most are in instant access accounts. Excess facilities are also in place and readily available for future use. No transactions in derivatives are undertaken.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Rayner Essex be reappointed as auditors of the company will be put to the Annual General Meeting

SOFTCAT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

Directors' responsibilities

The directors are responsible for preparing 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

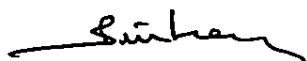
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare 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 proper accounting records that 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.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, 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 auditors are aware of that information.

On behalf of the board



W J Kenny
Director

18 MAY 2008

SOFTCAT LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOFTCAT LIMITED

We have audited the financial statements of Softcat Limited for the year ended 31 July 2007 set out on pages 8 to 25. 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 the 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.

SOFTCAT LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF SOFTCAT LIMITED

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 July 2007 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


Rayner Essex

Chartered Accountants
Registered Auditor

23 May 2008

Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

SOFTCAT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2007

| | | 2007 | 2006 |
|---|-------|--------------|------------------|
| | Notes | £ | as restated £ |
| Turnover | 2 | 89,142,482 | 67,277,881 |
| Cost of sales | | (73,947,437) | (56,419,194) |
| Gross profit | | 15,195,045 | 10,858,687 |
| Administrative expenses | | (11,861,407) | (9,546,186) |
| Operating profit | 3 | 3,333,638 | 1,312,501 |
| Other interest receivable and similar income | 4 | 149,785 | 76,939 |
| Interest payable and similar charges | 5 | (8,596) | (30,599) |
| Profit on ordinary activities before taxation | | 3,474,827 | 1,358,841 |
| Tax on profit on ordinary activities | 6 | (1,407,781) | (550,824) |
| Profit for the year | 15 | 2,067,046 | 808,017 |

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

SOFTCAT LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2007

| | | 2007 | 2006 |
|--|--------------|-------------------------|--------------------------|
| | Notes | £ | as restated £ |
| Profit for the financial year | | 2,067,046 | 808,017 |
| Prior year adjustment | 15 | <u>(343,575)</u> | <u>-</u> |
| Total gains and losses recognised since last financial statements | | <u><u>1,723,471</u></u> | <u><u>808,017</u></u> |

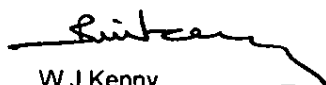
SOFTCAT LIMITED

BALANCE SHEET

AS AT 31 JULY 2007

| | | 2007 | | 2006 as restated | |
|---|-------|-------------------|------------------|---------------------|------------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 7 | | 449,250 | | 393,904 |
| Investments | 8 | | 67,757 | | 67,757 |
| | | | <u>517,007</u> | | <u>461,661</u> |
| Current assets | | | | | |
| Stocks | 9 | 403,391 | | 171,166 | |
| Debtors | 10 | 19,372,043 | | 15,766,052 | |
| Cash at bank and in hand | | 6,071,432 | | 2,326 | |
| | | <u>25,846,866</u> | | <u>15,939,544</u> | |
| Creditors: amounts falling due within one year | 11 | (19,668,657) | | (12,100,166) | |
| Net current assets | | | <u>6,178,209</u> | | <u>3,839,378</u> |
| Total assets less current liabilities | | | <u>6,695,216</u> | | <u>4,301,039</u> |
| Provisions for liabilities | 12 | | (2,131) | | - |
| | | | <u>6,693,085</u> | | <u>4,301,039</u> |
| Capital and reserves | | | | | |
| Called up share capital | 14 | | 61,050 | | 61,050 |
| Share premium account | 15 | | 57,393 | | 57,393 |
| Other reserves | 15 | | (2,412,106) | | (2,412,106) |
| Profit and loss account | 15 | | 8,986,748 | | 6,594,702 |
| Shareholders' funds | 16 | | <u>6,693,085</u> | | <u>4,301,039</u> |

Approved by the Board and authorised for issue on 18 May 2008


W J Kenny
Director


P D J Kelly
Director

SOFTCAT LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2007

| | £ | 2007 £ | £ | 2006 £ |
|--|-----------|-------------|-----------|-----------|
| Net cash inflow from operating activities | | 3,800,249 | | 416,616 |
| Returns on investments and servicing of finance | | | | |
| Interest received | 149,785 | | 76,939 | |
| Interest paid | (8,596) | | (30,599) | |
| | | | | |
| Net cash inflow for returns on investments and servicing of finance | | 141,189 | | 46,340 |
| Taxation | | (1,298,274) | | (364,920) |
| Capital expenditure | | | | |
| Payments to acquire tangible assets | (146,769) | | (104,352) | |
| Receipts from sales of tangible assets | - | | 153,313 | |
| | | | | |
| Net cash (outflow)/inflow for capital expenditure | | (146,769) | | 48,961 |
| | | | | |
| Net cash inflow before management of liquid resources and financing | | 2,496,395 | | 146,997 |
| Financing | | | | |
| Issue of ordinary share capital | - | | 607 | |
| Net cash (outflow)/inflow from financing | | - | | 607 |
| | | | | |
| Increase in cash in the year | | 2,496,395 | | 147,604 |

SOFTCAT LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2007

| 1 | Reconciliation of operating profit to net cash inflow from operating activities | 2007 | 2006 |
|---|---|------------------|----------------|
| | | £ | £ |
| | Operating profit | 3,333,638 | 1,312,501 |
| | Depreciation of tangible assets | 91,423 | 173,344 |
| | Profit on disposal of tangible assets | - | (3,237) |
| | (Increase)/decrease in stocks | (232,225) | 79,530 |
| | Increase in debtors | (3,581,911) | (2,168,706) |
| | Increase in creditors within one year | 3,864,324 | 679,609 |
| | FRS 20 share based payment | 325,000 | 343,575 |
| | Net cash inflow from operating activities | 3,800,249 | 416,616 |

| 2 | Analysis of net funds/(debt) | 1 August 2006 | Cash flow | Other non-cash changes | 31 July 2007 |
|---|------------------------------|---------------------------|-------------------------|------------------------|-----------------------|
| | | £ | £ | £ | £ |
| | Net cash | | | | |
| | Cash at bank and in hand | 2,326 | 6,069,106 | - | 6,071,432 |
| | Bank overdrafts | (1,575,749) | (3,572,711) | - | (5,148,460) |
| | | <u>(1,573,423)</u> | <u>2,496,395</u> | <u>-</u> | <u>922,972</u> |
| | Bank deposits | - | - | - | - |
| | Net (debt)/funds | <u>(1,573,423)</u> | <u>2,496,395</u> | <u>-</u> | <u>922,972</u> |

| 3 | Reconciliation of net cash flow to movement in net funds/(debt) | 2007 | 2006 |
|---|---|-----------------------|---------------------------|
| | | £ | £ |
| | Increase in cash in the year | 2,496,395 | 147,604 |
| | Movement in net funds/(debt) in the year | 2,496,395 | 147,604 |
| | Opening net debt | (1,573,423) | (1,721,027) |
| | Closing net funds/(debt) | <u>922,972</u> | <u>(1,573,423)</u> |

SOFTCAT LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2007

1 Analysis of cash flows for headings netted in the cash flow statement

| | 2007 £ | 2006 £ |
|--|------------------|---------------|
| Returns on investments and servicing of finance | | |
| Interest received | 149,785 | 76,939 |
| Interest paid | (8,596) | (30,599) |
| Net cash outflow for returns on investments and servicing of finance | <u>141,189</u> | <u>46,340</u> |
| Capital expenditure and financial investment | | |
| Purchase of tangible assets | (146,769) | (104,352) |
| Receipts from sale of tangible assets | - | 153,313 |
| Net cash (outflow)/inflow from capital expenditure & financial investment | <u>(146,769)</u> | <u>48,961</u> |
| Financing | | |
| Issue of ordinary share capital | - | 607 |
| Net cash outflow from financing | <u>-</u> | <u>607</u> |

2 Analysis of changes in net (debt)/funds

| | 01 August 2006 £ | Cash Movements £ | 31 July 2007 £ |
|-------------------------|------------------------|------------------------|----------------------|
| Cash at bank | 2,326 | 6,069,106 | 6,071,432 |
| Bank overdrafts | (1,575,749) | (3,572,711) | (5,148,460) |
| | <u>(1,573,423)</u> | <u>2,496,395</u> | <u>922,972</u> |
| Net (debt)/funds | <u>(1,573,423)</u> | <u>2,496,395</u> | <u>922,972</u> |

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Changes in accounting policies

The company has adopted FRS 20 'Share based payment' in the current year. The adoption of this standard represents a change in accounting policy and a prior period adjustment of £343,575 has been made to restate the comparatives. The standard requires a value to be recognised for the options granted during the year, this value is recognised as an expense in the profit and loss account and is credited straight to the profit and loss account included within equity on the balance sheet.

1.3 Compliance with accounting standards

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

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. 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:

| | |
|--------------------------------|-----------------------|
| Computer equipment | 3 years straight line |
| Fixtures, fittings & equipment | 6 years straight line |
| Motor vehicles | 3 years straight line |

1.6 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Investments

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

1.8 Stock

Stock is valued at the lower of cost and net realisable value.

1.9 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.10 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.11 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

1 Accounting policies

(continued)

1.12 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company's subsidiary undertakings have remained dormant throughout the year. Their aggregate capital and reserves are negligible. The company has therefore taken advantage of the exemptions provided by section 229 of the Companies Act 1985 not to prepare group accounts, on the grounds of immateriality.

1.13 Employee share schemes

The company operates a tax authority-approved Enterprise Management Incentive Share Option Scheme so as to encourage share ownership by all eligible employees, including directors. Share options are valued at their fair value on the date of grant. Any difference between this and the consideration paid by the participants are recognised as a charge in the profit and loss on a straight line basis from the date of the grant to the date the participant is entitled to exercise the option.

The company also operates an employee benefit trust for the benefit of eligible employees. In accordance with UITF 32, the company recognises the assets and liabilities for the trust as its own until such assets held vest unconditionally in identified beneficiaries. The company meets all costs incurred by the trust.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

| | 2007 £ | 2006 £ |
|--|-----------|-----------|
| Operating profit is stated after charging | | |
| Depreciation of tangible assets | 91,423 | 173,344 |
| Loss on foreign exchange transactions | 842 | 933 |
| Operating lease rentals | 228,418 | 240,000 |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 15,100 | 15,000 |
| Remuneration of auditors for non-audit work | 7,500 | 14,574 |
| and after crediting | | |
| Profit on disposal of tangible assets | - | (3,237) |

4 Investment income

| | 2007 £ | 2006 £ |
|---------------|-----------|-----------|
| Bank interest | 149,785 | 76,939 |

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

| | | | |
|----------|---|------------------|------------------|
| 5 | Interest payable | 2007 | 2006 |
| | | £ | £ |
| | On bank loans and overdrafts | 2,152 | 5,519 |
| | On overdue tax | 6,444 | 25,080 |
| | | <u>8,596</u> | <u>30,599</u> |
| 6 | Taxation | 2007 | 2006 |
| | | £ | £ |
| | Domestic current year tax | | |
| | U K corporation tax | 1,395,510 | 583,000 |
| | Adjustment for prior years | 10,140 | (2,734) |
| | | <u>1,405,650</u> | <u>580,266</u> |
| | Current tax charge | | |
| | Deferred tax | | |
| | Deferred tax charge/credit current year | 2,131 | (29,442) |
| | | <u>1,407,781</u> | <u>550,824</u> |
| | Factors affecting the tax charge for the year | | |
| | Profit on ordinary activities before taxation | <u>3,474,827</u> | <u>1,358,841</u> |
| | Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%) | <u>1,042,448</u> | <u>407,652</u> |
| | Effects of | | |
| | Non deductible expenses | 369,534 | 169,215 |
| | Depreciation add back | 27,427 | 51,032 |
| | Capital allowances | (43,899) | (45,298) |
| | Adjustments to previous periods | 10,140 | (2,734) |
| | Other tax adjustments | - | 399 |
| | | <u>363,202</u> | <u>172,614</u> |
| | Current tax charge | <u>1,405,650</u> | <u>580,266</u> |

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

7 Tangible fixed assets

| | Computer equipment | Fixtures, fittings & equipment | Motor vehicles | Total |
|-----------------------|-----------------------|--------------------------------------|-------------------|----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 August 2006 | 445,320 | 291,364 | 77,272 | 813,956 |
| Additions | 32,607 | 114,162 | - | 146,769 |
| Disposals | - | - | (15,500) | (15,500) |
| At 31 July 2007 | 477,927 | 405,526 | 61,772 | 945,225 |
| Depreciation | | | | |
| At 1 August 2006 | 306,168 | 82,692 | 31,192 | 420,052 |
| On disposals | - | - | (15,500) | (15,500) |
| Charge for the year | 33,306 | 42,585 | 15,532 | 91,423 |
| At 31 July 2007 | 339,474 | 125,277 | 31,224 | 495,975 |
| Net book value | | | | |
| At 31 July 2007 | 138,453 | 280,249 | 30,548 | 449,250 |
| At 31 July 2006 | 139,152 | 208,672 | 46,080 | 393,904 |

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

8 Fixed asset investments

| | Shares in subsidiary undertakings £ |
|---|--|
| Cost | |
| At 1 August 2006 & at 31 July 2007 | 1,324,067 |
| Provisions for diminution in value | |
| At 1 August 2006 & at 31 July 2007 | 1,256,310 |
| Net book value | |
| At 31 July 2007 | 67,757 |
| At 31 July 2006 | 67,757 |

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

| Company | Country of registration or incorporation | Class | Shares held % |
|--------------------------------|--|----------|------------------|
| Subsidiary undertakings | | | |
| Software Catalogue Plc | England | Ordinary | 100 |
| Software Licensing Ltd | England | Ordinary | 100 |
| Softcat Services Ltd | England | Ordinary | 100 |
| Skills-Online Ltd | England | Ordinary | 100 |
| Sequireit Ltd | England | Ordinary | 100 |

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows

| | Capital and reserves 2007 £ | Profit for the year 2007 £ |
|------------------------|-----------------------------------|----------------------------------|
| Software Catalogue Plc | 67,752 | - |
| Software Licensing Ltd | 2 | - |
| Softcat Services Ltd | 1 | - |
| Skills-Online Ltd | 1 | - |
| Sequireit Ltd | 1 | - |

All companies remained dormant throughout the year

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

| 9 | Stocks | 2007 £ | 2006 £ |
|---|-------------------------------------|-----------|-----------|
| | Finished goods and goods for resale | 403,391 | 171,166 |

| 10 | Debtors | 2007 £ | 2006 £ |
|----|----------------------------------|------------|------------|
| | Trade debtors | 18,405,792 | 14,918,566 |
| | Corporation tax | 24,080 | - |
| | Called up share capital not paid | 9,600 | 9,600 |
| | Other debtors | 308,922 | 461,548 |
| | Prepayments and accrued income | 623,649 | 376,338 |
| | | 19,372,043 | 15,766,052 |

| 11 | Creditors amounts falling due within one year | 2007 £ | 2006 £ |
|----|---|------------|------------|
| | Bank loans and overdrafts | 5,148,460 | 1,575,749 |
| | Trade creditors | 8,420,653 | 6,134,476 |
| | Amounts owed to subsidiary undertakings | 67,752 | 67,752 |
| | Corporation tax | 701,722 | 570,266 |
| | Other taxes and social security costs | 1,471,393 | 967,925 |
| | Accruals and deferred income | 3,858,677 | 2,783,998 |
| | | 19,668,657 | 12,100,166 |

Bank loans and overdrafts are secured by way of a fixed and floating charge over all assets of the company dated 20 January 2002 in favour of the company's bankers

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

12 Provisions for liabilities and charges

| | Deferred tax liability £ |
|-------------------------|-----------------------------|
| Profit and loss account | 2,131 |
| Balance at 31 July 2007 | <u>2,131</u> |

The deferred tax liability is made up as follows:

| | 2007 £ | 2006 £ |
|--------------------------------|--------------|-----------|
| Accelerated capital allowances | <u>2,131</u> | <u>-</u> |

13 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. At the year end pension contributions of £235,803 (2006 £11,133) were outstanding.

| | 2007 £ | 2006 £ |
|---|----------------|---------------|
| Contributions payable by the company for the year | <u>399,342</u> | <u>65,903</u> |

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

| 14 Share capital | 2007 £ | 2006 £ |
|---|----------------|----------------|
| Authorised | | |
| 11,811,500 Ordinary shares of 1p each | 118,115 | 118,115 |
| 188,500 'MR' shares of 1p each | 1,885 | 1,885 |
| | <u>120,000</u> | <u>120,000</u> |
| Allotted, called up and fully paid | | |
| 5,916,500 Ordinary shares of 1p each | 59,165 | 59,165 |
| 188,500 'MR' shares of 1p each | 1,885 | 1,885 |
| | <u>61,050</u> | <u>61,050</u> |

Shares rank par passu in all respect save that in respect of dividends

The share capital consists of 8,729,015 issued ordinary shares of £0.01 each, of which 4,979,015 are allotted, called up and fully paid and 3,750,000 are allotted, called up and quarter paid. In addition, 188,500 ordinary 'MR' shares of £0.01 each are allotted, called up and fully paid.

The company operates a tax authority-approved Enterprise Management Incentive Share Option Scheme so as to encourage share ownership by all eligible employees, including directors.

Options outstanding at the year end are as follows -

172,953 £0.01 ordinary shares, exercisable from May 2005 at a price of £0.47 per share, expiring April 2013.

218,128 £0.01 ordinary shares, exercisable from July 2007 at a price of £2.20, expiring June 2015.

248,936 £0.01 ordinary shares, exercisable from June 2008 at a price of £1.20 per share, expiring May 2016.

202,639 £0.01 ordinary shares, exercisable from August 2007 at a price of £1.35 per share, expiring January 2016.

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

15 Statement of movements on reserves

| | Share premium account £ | Other reserves (see below) £ | Profit and loss account £ |
|---|----------------------------------|---------------------------------------|------------------------------------|
| Balance at 1 August 2006 as previously reported | 57,393 | (2,412,106) | 6,594,702 |
| Prior year adjustment | - | - | (343,575) |
| Balance at 1 August 2006 as restated | 57,393 | (2,412,106) | 6,251,127 |
| Profit for the year | - | - | 2,067,046 |
| FRS 20 share based payment expense recognised | - | - | 668,575 |
| Balance at 31 July 2007 | 57,393 | (2,412,106) | 8,986,748 |

Other reserves

Reserves for own shares

| | |
|--|-------------|
| Balance at 1 August 2006 & at 31 July 2007 | (2,412,106) |
|--|-------------|

16 Reconciliation of movements in shareholders' funds

| | 2007 | 2006 |
|---|-----------|-------------|
| | £ | £ |
| | | as restated |
| Profit for the financial year | 2,067,046 | 808,017 |
| FRS 20 Share based payment expense recognised | 325,000 | 343,575 |
| Proceeds from issue of shares | - | 607 |
| Net addition to shareholders' funds | 2,067,046 | 1,152,199 |
| Opening shareholders' funds | 4,301,039 | 3,148,840 |
| Closing shareholders' funds | 6,693,085 | 4,301,039 |

The prior period adjustment relates to amounts payable as share based payments as a result of applying Financial Reporting Standard 20 - Share Based Payments, in the current year

17 Financial commitments

At 31 July 2007 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 July 2008

| | Land and buildings 2007 | 2006 |
|---|----------------------------|---------|
| | £ | £ |
| Operating leases which expire Between two and five years | 275,288 | 329,138 |

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

| 18 Directors' emoluments | 2007 £ | 2006 £ |
|---|------------------|----------------|
| Emoluments for qualifying services | 941,742 | 748,034 |
| Company pension contributions to money purchase schemes | 322,724 | 12,605 |
| | <u>1,264,466</u> | <u>760,639</u> |

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2006 - 5)

The number of directors who exercised share options during the year was 0 (2006 - 4)

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 4 (2006 - 4)

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

| | | |
|---|----------------|--------------|
| Emoluments for qualifying services | 246,500 | 176,750 |
| Company pension contributions to money purchase schemes | <u>203,000</u> | <u>1,500</u> |

19 Transactions with directors

The following directors had interest free loans during the year The movement on these loans are as follows

| | Amount outstanding | | Maximum |
|-------------|--------------------|----------|---------------|
| | 2007 | 2006 | in year |
| | £ | £ | £ |
| P D J Kelly | 58,293 | 10,274 | 58,293 |
| W Kenny | 9,286 | - | 9,286 |
| D Fawell | 13,240 | - | 13,240 |
| D Simpson | <u>15,500</u> | <u>-</u> | <u>15,500</u> |

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2007

20 Employees

Number of employees

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

| | 2007 Number | 2006 Number |
|----------------|----------------|----------------|
| Management | 10 | 9 |
| Administration | 26 | 23 |
| Sales | 107 | 93 |
| | <u>143</u> | <u>125</u> |

Employment costs

| | 2007 £ | 2006 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 4,209,481 | 3,937,160 |
| Social security costs | 927,410 | 713,155 |
| Other pension costs | 399,342 | 65,903 |
| | <u>5,536,233</u> | <u>4,716,218</u> |

21 Control

The ultimate controlling party is Mr P D J Kelly, a director, by virtue of his shareholding

22 Related party transactions

During the year, Softcat Limited provided administrative services of Nil (2006 £28,235), in the normal course of business, to Mac Recruitment Limited, a company controlled by Mr P D J Kelly, a common director. Softcat Limited also received recruitment services of Nil (2006 £14,100) from the same company.

During the year, a total of £97,562 of the amount due from Mac Recruitment Ltd, was re-assigned to Mr D Farwell £18,240, Mr P Kelly £37,537, Mr W Kenny £14,285 and Mr D Simpson £17,500 all directors of the company and £10,000 was written off as bad debts relating to an employee loan.

As at 31 July 2007 Mac Recruitment Limited owed Softcat Limited £209,103 (2006, £370,813). A provision for £120,000 has been provided against the amount due during the year.

As at 31 July 2007, Softcat Limited owed Software Catalogue plc £67,752 (2006 £67,752).

SOFTCAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 JULY 2007**

23 Post balance sheet events

After the year end the company provided financial assistance for the purchase of 573,902 of the company's ordinary shares at a total cost of £778,648