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**Specialist Computers International
Limited and subsidiary undertakings**

Report and Financial Statements

31 March 2003



Deloitte.

REPORT AND FINANCIAL STATEMENTS 2003

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REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sir Peter Rigby
N T Gossage

SECRETARY

N T Gossage

REGISTERED OFFICE

James House
Warwick Road
Birmingham
B11 2LE

BANKERS

ABN Amro
Regionkantoor
Coolsingel 119
3012 AG Rotterdam
The Netherlands

Royal Bank of Scotland (formerly Nat West)
5th Floor
25 St Phillips Place
Birmingham
B3 2RB

CIC
Rue de la Victoire
75452 Cedex
Paris
France

SOLICITORS

Eversheds
115 Colmore Row
Birmingham
B3 3AL

AUDITORS

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Birmingham

Deloitte.

CHAIRMAN'S STATEMENT

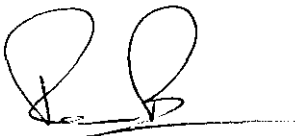
I am pleased to report that the company had another satisfactory year against a backdrop of some of the toughest trading conditions seen in Europe for many years. Turnover for the year was up 24% on 2002 at €1,342m.

The group has continued to expand both organically and through acquisitions. On 1st February 2003, the group acquired 100% of the issued share capital of GE Capital Information Solutions SL in Spain. This acquisition has brought additional service related skills to the group and has also given a greater geographical spread with offices being acquired in Valencia, Zaragoza, Seville and Bilbao. The offices in Madrid and Barcelona have been considerably expanded as a result of the acquisition.

Whilst the acquired company made losses in the months after acquisition, I am pleased to report that the company is now making a positive profit contribution to the group results.

The group continued to work closely with Specialist Computer Holdings plc during the year. On 1 August 2003 the entire share capital of the company was acquired by SCI Jersey Limited. On the same date the entire capital of SCI Jersey Limited was acquired by Enquirystar Limited. On 8 August 2003 Enquirystar Limited changed its name to Specialist Computer Holdings plc. The effect of this scheme of arrangement was to bring together the UK and European businesses under one new holding company, Specialist Computer Holdings plc. This underlines the group's ability to service business not just throughout Europe but across the globe.

Market conditions remain tough throughout Europe but the group is well positioned to take advantage of increased spending on IT. The capabilities and range of services provided by the group continue to increase and I am confident that the group's strategy and ongoing investment will lead to increased earnings in the future.



Sir Peter Rigby

Chairman

29 January 2004

DIRECTORS' REPORT

The directors present their annual report on the affairs of the group, together with the financial statements and auditors' report, for the year ended 31 March 2003.

Principal activity and business review

The principal activity of the group is the sale and distribution of leading computer systems and a broad array of associated technical services and solutions.

The group generated a turnover of €1,342,271,000 (2002 - €1,083,431,000) for the year ended 31 March 2003 and a profit on ordinary activities before taxation of €7,633,000 (2002 - €28,302,000). Included within profit on ordinary activities before taxation is amortisation of negative goodwill relating to the acquisition of the Information Services Division of Buhrmann BV amounting to €4,385,000 (2002 - €11,093,000) and amortisation of negative goodwill relating to the acquisition of GE Capital Information Technology Solutions SL amounting to €525,000 (2002 - € Nil).

During the year, Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc), a related party undertaking subscribed for 60,878,589 A preference shares of €1 each in Specialist Computer Holdings International Limited, a subsidiary of Specialist Computers International Limited. The rights attaching to these preference shares are detailed in note 18.

Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc) also advanced €101,448,000 to subsidiaries of Specialist Computers International Limited, of which €74,787,000 had been repaid by year end.

The subsidiary undertakings principally affecting the profits or net assets of the group in the year are listed in note 10 to the financial statements.

Subsequent to the year end, on 1 August 2003 the entire share capital of the company was acquired by SCI Jersey Limited. On the same date the entire capital of SCI Jersey Limited was acquired by Enquirystar Limited. On 8 August 2003, Specialist Computer Holdings plc changed its name to Specialist Computer Holdings (UK) plc. On the same day, Enquirystar Limited changed its name to Specialist Computer Holdings plc and re-registered as a plc.

Further details of the group's performance during the year and expected future developments are contained in the Chairman's statement.

Results and dividends

The audited financial statements for the year ended 31 March 2003 are set out on pages 7 to 28. The profit for the year after taxation was €5,147,000 (2002 - €21,956,000).

The directors do not recommend the payment of a dividend (2002 - € Nil).

Directors

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

Sir Peter Rigby
N T Gossage

DIRECTORS' REPORT (continued)

Directors' interests

The directors' interests in the £1 ordinary shares of the company were as follows:

	2003 Number	2002 Number
Sir Peter Rigby	4,900	4,900
Peter Rigby Discretionary Settlement 2000 Trust	5,100	5,100
	<hr/> 10,000	<hr/> 10,000

Sir Peter Rigby is the controlling party of the Peter Rigby Discretionary Settlement 2000 Trust.

Sir Peter Rigby's direct and indirect interests in the loan notes and preference share capital of the group are disclosed in note 26 to the financial statements.

Supplier payment policy

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 March 2003 were equivalent to Nil days' purchases (2002 – Nil days), based on the average daily amount invoiced by suppliers during the year. Trade creditors of the group at 31 March 2003 were equivalent to 48 days' purchases (2002 – 57 days), based on the average daily amount invoiced by suppliers during the year.

Disabled employees

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 group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

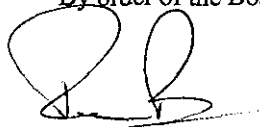
The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are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

Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

James House
Warwick Road
Birmingham
B11 2LE

By order of the Board,



Sir Peter Rigby

29 January 2004

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 group and the company as at the end of the financial year and of the profit or loss of the group 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 group 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 group and 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 group and 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 Computers International Limited and subsidiary undertakings

We have audited the financial statements of Specialist Computers International Limited for the year ended 31 March 2003 which comprise the consolidated profit and loss account, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes numbered 1 to 28. 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 them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As 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 as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and company as at 31 March 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

30 January 2004

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Note	2003 € 000 Existing operations	2003 € 000 Acquisitions	2003 € 000 Total	2002 € 000 Total
TURNOVER	2	1,335,721	6,550	1,342,271	1,083,431
Cost of sales		(1,181,138)	(5,427)	(1,186,565)	(935,278)
Gross profit		154,583	1,123	155,706	148,153
Distribution costs		(7,096)	(26)	(7,122)	(6,388)
Administrative expenses before goodwill amortisation		(136,946)	(2,417)	(139,363)	(127,028)
Goodwill amortisation	8	4,910	-	4,910	11,093
Administrative expenses		(132,036)	(2,417)	(134,453)	(115,935)
OPERATING PROFIT		15,451	(1,320)	14,131	25,830
Finance (charges)/ income (net)	3			(6,498)	2,472
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4			7,633	28,302
Tax on profit on ordinary activities	6			(2,486)	(6,346)
Retained profit for the year	17			5,147	21,956

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

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

All of the above activities derive from continuing activities.

Deloitte.**CONSOLIDATED BALANCE SHEET**
31 March 2003

	Notes	2003 € 000	2002 € 000
FIXED ASSETS			
Negative goodwill	8	(3,152)	(4,357)
Tangible assets	9	21,177	22,196
		<u>18,025</u>	<u>17,839</u>
CURRENT ASSETS			
Stocks	11	78,507	70,197
Debtors – due within one year	12	293,235	259,859
– due after one year	12	897	4,709
Cash at bank and in hand		20,611	23,822
		<u>393,250</u>	<u>358,587</u>
CREDITORS: Amounts falling due within one year	13	<u>(299,551)</u>	<u>(324,887)</u>
NET CURRENT ASSETS		<u>93,699</u>	<u>33,700</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>111,724</u>	<u>51,539</u>
Financed by			
CREDITORS: Amounts falling due after more than one year	14	<u>4,378</u>	<u>11,266</u>
CAPITAL AND RESERVES			
Called-up share capital	15	10,017	10,017
Profit and loss account	16	35,403	30,256
SHAREHOLDERS' FUNDS	17	45,420	40,273
Minority interests	18	61,926	-
TOTAL CAPITAL EMPLOYED		<u>111,724</u>	<u>51,539</u>
Shareholders' funds may be analysed as:			
Equity interests		35,420	30,273
Non-equity interests		10,000	10,000
		<u>45,420</u>	<u>40,273</u>

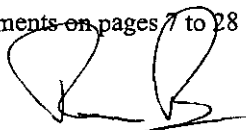
The accompanying notes are an integral part of this consolidated balance sheet.

Deloitte.**COMPANY BALANCE SHEET**
31 March 2003

	Notes	2003 € 000	2002 € 000
FIXED ASSETS			
Investments	10	15,000	15,000
		<u>15,000</u>	<u>15,000</u>
CREDITORS: amounts falling due within one year	13	(538)	-
		<u>(538)</u>	<u>-</u>
NET CURRENT LIABILITIES			
		<u>(538)</u>	<u>-</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,462</u>	<u>15,000</u>
Financed by			
CREDITORS: Amounts falling due after more than one year	14	4,529	5,586
		<u>4,529</u>	<u>5,586</u>
CAPITAL AND RESERVES			
Called-up share capital	15	10,017	10,017
Profit and loss account		(84)	(603)
		<u>9,933</u>	<u>9,414</u>
SHAREHOLDERS' FUNDS			
		<u>9,933</u>	<u>9,414</u>
TOTAL CAPITAL EMPLOYED		<u>14,462</u>	<u>15,000</u>
Shareholders' funds may be analysed as:			
Equity interests		(67)	(586)
Non-equity interests		10,000	10,000
		<u>9,933</u>	<u>9,414</u>

The financial statements on pages 7 to 28 were approved by the board of directors on 29 January 2004 and signed on its behalf by:

Sir Peter Rigby



Director

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

Deloitte.**CONSOLIDATED CASH FLOW STATEMENT****31 March 2003**

	Notes	2003 € 000	2002 € 000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	19	(6,548)	16,383
Returns on investments and servicing of finance	20	(6,498)	(3,260)
Taxation	20	(7,400)	(4,037)
Capital expenditure and financial investment	20	(3,233)	(2,568)
Acquisitions and disposals	20	(193)	(30)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(23,872)	6,488
Financing	20	12,560	-
(DECREASE)/INCREASE IN CASH IN THE YEAR	21	(11,312)	6,488

The accompanying notes are an integral part of this consolidated cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below which have all been applied consistently throughout the year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Euro (€) forms the main currency in which the group's business is transacted. The average Euro to Sterling exchange rate for the year ended 31 March 2003 was 1.54 (2002 – 1.61) and the year end exchange rate was 1.45 (2002 – 1.62).

Basis of consolidation

The group financial statements consolidate the financial statements of Specialist Computers International Limited and its subsidiary undertakings drawn up to 31 March 2003. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method. No profit and loss account is presented for Specialist Computers International Limited as permitted by Section 230 of the Companies Act 1985.

Intangible assets – Negative goodwill

Negative goodwill arising on the acquisition of businesses, representing any deficit of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written back on a reducing balance basis firstly to reflect the period in which the non-monetary assets are expected to be recovered and secondly the period in which the related restructuring costs are anticipated to be charged.

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, other than freehold land, 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:

Freehold buildings	30 years
Fixtures and equipment	5 to 10 years
Computer software	0 to 3 years
Motor vehicles	4 to 6 years

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

Stocks

Stocks 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 group'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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2003

1. 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.

Pension costs and other post retirement benefits

The group operates defined contribution schemes where 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. The results of overseas operations are translated at the closing rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date.

Leases

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.

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. Income from service contracts is recognised over the life of the contracts.

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 period of the agreement.

Finance costs

Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs and adjustment to their fair value. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 March 2003

2. SEGMENT INFORMATION

The whole of the group's turnover and operating profit originates in Europe from the group's principal activity.

An analysis of turnover by geographical destination is given below:

	2003			2002
	Existing operations	Acquisitions	Total	Total
	€ 000	€ 000	€ 000	€ 000
United Kingdom	5,306	-	5,306	13,876
Europe	1,327,232	6,550	1,333,782	1,067,240
Rest of the world	3,183	-	3,183	2,315
	<u>1,335,721</u>	<u>6,550</u>	<u>1,342,271</u>	<u>1,083,431</u>

The whole of the group's net assets are held in Europe.

3. FINANCE CHARGES / (INCOME) (NET)

	2003	2002
	€ 000	€ 000
<i>Interest receivable and similar income</i>		
Interest receivable from bank deposits	2,016	411
Write-back of subordinated loan interest accrual	-	3,904
Gain on repurchase of debt	-	3,049
Income from trade investments	46	40
	<u>2,062</u>	<u>7,404</u>
<i>Interest payable and similar charges</i>		
Bank loans and overdrafts	5,401	692
Interest payable on subordinated and other loans	3,133	4,051
Interest payable to suppliers	26	189
	<u>8,560</u>	<u>4,932</u>
<i>Finance charges/(income) (net)</i>		
Interest payable and similar charges	8,560	4,932
Less: investment income	(2,062)	(7,404)
	<u>6,498</u>	<u>(2,472)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	2003 € 000	2002 € 000
Depreciation and amounts written off tangible fixed assets		
- owned	4,878	4,373
Amortisation of negative goodwill	(4,910)	(11,093)
Loss / (profit) on sale of tangible fixed assets	85	(106)
Operating lease rentals		
- plant and machinery	1,051	1,261
- other	7,681	6,154
Auditors' remuneration		
- audit services	484	238
- non-audit services	29	35

Included above are € Nil (2002 - € 174,000) and € Nil (2002 - € 35,000), in respect of audit and non-audit services respectively, paid to the previous auditors, Arthur Andersen.

The audit fee for the company was €71,000 (2002 - €55,000).

5. STAFF COSTS

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

	2003 Number	2002 Number
Sales	456	449
Administration	1,027	669
Engineering	318	321
Warehouse	142	139
	1,943	1,578

Their aggregate remuneration comprised:

	2003 € 000	2002 € 000
Wages and salaries	62,912	58,091
Social security costs	23,858	22,007
Other pension costs (see note 25)	1,146	981
	87,916	81,079

No director received emoluments from the group or was a member of the group's pension schemes during either year.

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 31 March 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2003 € 000	2002 € 000
Current tax		
UK corporation tax	-	-
Foreign tax	2,500	5,133
	<u>2,500</u>	<u>5,133</u>
Adjustments in respect of prior years		
- UK corporation tax	-	-
- Foreign tax	-	1,751
	<u>-</u>	<u>1,751</u>
Total current tax	<u>2,500</u>	<u>6,884</u>
Deferred tax		
Origination and reversal of timing differences	1,742	(538)
Adjustments in respect of prior years	(1,756)	-
	<u>(14)</u>	<u>(538)</u>
Total deferred tax (see note 12)	<u>(14)</u>	<u>(538)</u>
Total tax on profit on ordinary activities	<u>2,486</u>	<u>6,346</u>

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

	2003 € 000	2002 € 000
Profit on ordinary activities before tax	<u>7,633</u>	<u>28,302</u>
Tax on group profit on ordinary activities at standard UK corporation tax rate of 30% (2002 - 30%)	2,290	8,491
Effects of:		
Expenses not deductible for tax purposes	736	(2,145)
Short term timing differences	176	-
Utilisation of tax losses	(2,086)	404
Tax losses not recognised	2,320	-
Negative goodwill amortisation	(1,474)	(3,328)
Higher tax rates on overseas earnings	538	1,711
Adjustments to tax charge in respect of previous periods	-	1,751
	<u>2,500</u>	<u>6,884</u>
Current tax charge for period	<u>2,500</u>	<u>6,884</u>

The company earns its profits primarily in Europe. The tax rate used for tax on profit on ordinary activities is the standard rate for UK corporation tax, currently 30%.

A deferred tax asset amounting to €17,845,000 (2002 - €11,826,000) for trading losses (see note 12) has not been recognised because in the opinion of the directors there will be no suitable taxable profits available in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****7. RESULTS ATTRIBUTABLE TO SPECIALIST COMPUTERS INTERNATIONAL LIMITED**

The result for the financial year dealt within the financial statements of Specialist Computers International Limited was a profit of €519,000 (2002 - € 603,000 loss). As provided by section 230 of the Companies Act 1985, no profit and loss account is presented in respect of Specialist Computers International Limited.

8. INTANGIBLE FIXED ASSETS – NEGATIVE GOODWILL

	€ 000
Cost	
At 1 April 2002	(35,070)
Additions	(3,705)
	<hr/>
At 31 March 2003	(38,775)
	<hr/>
Amortisation	
At 1 April 2002	30,713
Negative goodwill written back	4,910
	<hr/>
At 31 March 2003	35,623
	<hr/>
Net book value	
At 31 March 2003	(3,152)
	<hr/>
At 31 March 2002	(4,357)
	<hr/>

The credit relating to goodwill amortisation has been included within administrative expenses in the profit and loss account.

Additional goodwill arises from the acquisition of the business of GE Capital Information Technology Solutions SL (subsequently renamed SCC Solutions SL) (see note 10). The directors consider the discount to reflect the anticipated future results for these businesses and the necessity to restructure the cost base. The negative goodwill is being released to the profit and loss account on a reducing balance basis firstly to reflect the period in which the non-monetary assets are expected to be recovered and secondly the period in which the related restructuring costs are anticipated to be charged.

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****9. TANGIBLE FIXED ASSETS**

Group	Freehold land and buildings € 000	Fixtures and equipment € 000	Computer software € 000	Motor vehicles € 000	Total € 000
Cost					
At 1 April 2002	14,519	9,132	4,988	2	28,641
Additions	-	2,800	429	4	3,233
Acquisition of subsidiary undertaking	-	652	59	-	711
Disposals	-	(221)	-	-	(221)
At 31 March 2003	14,519	12,363	5,476	6	32,364
Depreciation					
At 1 April 2002	984	3,788	1,672	1	6,445
Charge for the year	667	2,543	1,668	-	4,878
Disposals	-	(136)	-	-	(136)
At 31 March 2003	1,651	6,195	3,340	1	11,187
Net book value					
At 31 March 2003	12,868	6,168	2,136	5	21,177
At 31 March 2002	13,535	5,344	3,316	1	22,196

Freehold land amounting to €3,372,000 (2002 – € 3,372,000) has not been depreciated.

The company did not hold any fixed assets (2002 - € Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****10. FIXED ASSET INVESTMENTS****Principal group investments**

The parent company and the group have investments in the following subsidiary undertakings, which principally affected the profits or net assets of the group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

Group Subsidiary undertakings	Country of incorporation	Principal activity	Percentage holding
Specialist Computer Holdings International Limited	England & Wales	Holding Company	100%
Specialist Computer Holdings International BV	Holland	Holding Company	100%
Specialist Computers International BV	Holland	Holding Company	100%
SCH Services BV (formerly Info' Products Holdings BV)	Holland	Holding Company	100%
ETC Bestware BV (formerly Bestware BV)	Holland	IT reseller	100%
SCC Services BV (formerly Info' Products BV)	Holland	IT reseller	100%
SCH SA (formerly SCH Allium France)	France	Holding Company	100%
SCC SA (formerly Allium SA)	France	IT reseller	96%
SCC SpA (formerly Allium Italia SpA)	Italy	IT reseller	100%
Info' Products Spain SA	Spain	IT reseller	100%
SCC Solutions SL	Spain	IT reseller	100%
SCC GmbH (formerly Info' Products Deutschland GmbH)	Germany	IT reseller	100%
SCC NV (formerly Info' Products Belgie NV)	Belgium	IT reseller	100%

Company**Subsidiary undertakings****Cost and net book value**

At 1 April 2002 and 31 March 2003

€ 000

15,000

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****10. FIXED ASSET INVESTMENTS (continued)****Acquisition of subsidiary undertaking**

On 1 February 2003 the group acquired 100% of the issued share capital of GE Capital Information Technology Solutions SL for a cash consideration of €637,000 under the acquisition method of accounting.

The results GE Capital Information Technology Solutions SL are not presented for the pre-acquisition period as required by Financial Reporting Standard 6, as the results were not reported as a separate entity within GE and hence this information is not available.

The following table sets out the book values of the identifiable assets and liabilities acquired and their provisional fair values to the group.

	Book and fair value to group € 000
Fixed assets	
Tangible assets	711
Current assets	
Stocks	1,426
Debtors	22,640
Cash	782
Total assets	<u>25,559</u>
Creditors	
Trade creditors	19,552
Other creditors	1,327
Total liabilities	<u>20,879</u>
Net assets	4,680
 Negative goodwill	 <u>(3,705)</u>
	<u>975</u>
 Satisfied by	
Cash	637
Acquisition expenses	338
	<u>975</u>
 Net cash outflows in respect of the acquisition comprised:	
Cash consideration	637
Acquisition expenses	338
Cash at bank and in hand acquired	(782)
	<u>193</u>

No accounting policy alignment adjustments were required.

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2003

11. STOCKS

	Group	
	2003	2002
	€ 000	€ 000
Goods for resale	<u>78,507</u>	<u>70,197</u>

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

The company had no stocks at either year end.

12. DEBTORS

Amounts falling due within one year:

	Group	
	2003	2002
	€ 000	€ 000
Trade debtors	276,112	252,295
Prepayments and accrued income	16,571	7,026
Deferred tax asset	552	538
	<u>293,235</u>	<u>259,859</u>

Amounts falling due after one year:

	Group	
	2003	2002
	€ 000	€ 000
Other debtors	<u>897</u>	<u>4,709</u>

The company had no debtors at either year end.

The movement on the deferred tax asset is as follows:

	€ 000
At 1 April 2002	538
Credited to the profit and loss account	<u>14</u>
At 31 March 2003	<u>552</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****12. DEBTORS (CONTINUED)**

Deferred tax is provided as follows:

	2003 € 000	2002 € 000
Short term timing differences	166	193
Tax losses available	386	345
Deferred tax asset	552	538

Deferred tax unprovided is as follows:

	Group	
	2003 € 000	2002 € 000
Short term timing differences	588	254
Tax losses available	17,845	11,826
Deferred tax asset	18,433	12,080

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2003 € 000	2002 € 000	2003 € 000	2002 € 000
Other loans	29,252	-	-	-
Bank loans and overdrafts	53,898	45,797	-	-
Trade creditors	162,768	160,079	-	-
Corporation tax	1,407	4,450	-	-
Other taxation and social security	10,126	9,115	-	-
Other creditors	39,394	30,769	538	-
Accruals and deferred income	2,706	1,677	-	-
	299,551	251,887	538	-
Subordinated loans	-	73,000	-	-
	299,551	324,887	538	-

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CONTINUED)**

Subordinated loans comprise the following:

	2003 € 000	2002 € 000
Ordinary loan notes	-	63,000
Profit sharing loan notes	-	10,000
	<u>-</u>	<u>73,000</u>

Other loans consist of unsecured loans from Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc), a related party. These are repayable on demand or by 31 March 2004, and bear interest at rates between 3.75% and 4.5%.

Subsequent to the year end, the group has reached agreement with its bankers which will provide sufficient facilities to meet the group's financing requirements in the medium term.

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

	Group		Company	
	2003 € 000	2002 € 000	2003 € 000	2002 € 000
Other loans	4,346	5,586	4,529	5,586
Accruals and deferred income	32	62	-	-
	<u>4,378</u>	<u>5,648</u>	<u>4,529</u>	<u>5,586</u>
Subordinated loans	-	5,618	-	-
	<u>4,378</u>	<u>11,266</u>	<u>4,529</u>	<u>5,586</u>

Borrowings are repayable as follows:

	2003 € 000	2002 € 000
Other loans		
In more than two years but no more than five years	<u>4,346</u>	<u>5,586</u>
Subordinated loans		
In more than two years but no more than five years	<u>-</u>	<u>5,618</u>

Other loans consist of a loan from Sir Peter Rigby, the principle shareholder, which is unsecured and bears interest at 1% above the base rate of HSBC.

Subordinated loans comprise the following:

	2003 € 000	2002 € 000
Ordinary loan notes	<u>-</u>	<u>5,618</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****15. CALLED-UP SHARE CAPITAL**

	2003 € 000	2002 € 000
<i>Authorised, allotted, called-up and fully paid</i>		
10,000 ordinary shares of £1 each	17	17
6,062,100 preference shares of £1 each	10,000	10,000
	<u>10,017</u>	<u>10,017</u>

Non-equity shareholders' funds relate entirely to the redeemable preference shares and are held by Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc), a related undertaking (see note 26). The redeemable preference shares carry a fixed cumulative preferential dividend for the period expiring on 31 December 2003 at the rate of 25% of aggregate retained profits, thereafter they carry a fixed cumulative preferential dividend at the rate of Euribor plus 1% per annum. The preference shares may be redeemed at any time at the option of the company. Holders of the redeemable preference shares have one vote for every one share held but only on a resolution directly or adversely affecting any of the special rights attached to the share, or if the preference dividend has remained unpaid for six months. Holders of the redeemable preference shares have the right on a winding-up to receive, in priority to any other classes of shares, repayment of capital paid up together with any arrears of dividend.

16. RESERVES

	Profit and loss account € 000
At 31 March 2002	30,256
Retained profit for the year	<u>5,147</u>
At 31 March 2003	<u>35,403</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 € 000	2002 € 000
Retained profit for the year	5,147	21,956
New shares issued	-	-
Net addition to shareholders' funds	<u>5,147</u>	<u>21,956</u>
Opening shareholders' funds	40,273	18,317
Closing shareholders' funds	<u>45,420</u>	<u>40,273</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****18. MINORITY INTERESTS**

	Equity € 000	Non-equity € 000	Total € 000
At 1 April 2002	-	-	-
Shares issued during the year	1,047	60,879	61,926
At 31 March 2003	1,047	60,879	61,926

Non-equity minority interests comprise 60,878,589 'A' preference shares of €1 each in Specialist Computer Holdings International Limited issued to Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc), a related undertaking. The shares do not entitle the holders to any rights against other group companies.

19. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2003 € 000	2002 € 000
Operating profit	14,131	25,830
Depreciation charges	4,878	4,373
Goodwill amortisation	(4,910)	(11,093)
Loss / (profit) on sale of tangible fixed assets	85	(106)
Increase in stocks	(6,884)	(15,412)
Increase in debtors	(5,049)	(7,934)
(Decrease) / increase in trade and other creditors	(8,799)	20,725
Net cash (outflow) / inflow from operating activities	(6,548)	16,383

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****20. ANALYSIS OF CASH FLOWS**

	2003 € 000	2002 € 000
Returns on investments and servicing of finance		
Interest received	166	410
Income from trade investments	46	40
Interest paid	(6,710)	(3,710)
Net cash outflow	(6,498)	(3,260)
Taxation		
Net cash outflow	(7,400)	(4,037)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,233)	(2,893)
Sale of tangible fixed assets	-	325
Net cash outflow	(3,233)	(2,568)
Acquisitions and disposals		
Purchase of subsidiary undertakings	(975)	(30)
Net overdrafts acquired with subsidiary undertakings	782	-
Net cash outflow	(193)	(30)
Financing		
Issue of shares of subsidiary undertaking to minority interest	61,926	-
New loans	29,252	-
Repayment of loans	(78,618)	-
Net cash inflow	12,560	-

Companies acquired in the year contributed €3,607,000 to the groups net operating cash out flow, paid €10,000 in respect of net returns on investment and servicing of finance, paid £nil in respect of taxation and utilised £nil for capital expenditure.

21. ANALYSIS AND RECONCILIATION OF NET DEBT

	1 April 2002 € 000	Cash flow € 000	31 March 2003 € 000
Cash in hand, at bank	23,822	(3,211)	20,611
Overdrafts	(45,797)	(8,101)	(53,898)
	(21,975)	(11,312)	(33,287)
Debt due within 1 year	(73,000)	43,748	(29,252)
Debt due after 1 year	(11,204)	6,858	(4,346)
Net debt	(106,179)	39,294	(66,885)

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 March 2003
23. ANALYSIS AND RECONCILIATION OF NET DEBT (continued)

	2003 € 000	2002 € 000
(Decrease)/Increase in cash in the year	(11,312)	6,488
Cash outflow from change in debt financing	50,606	-
Change in net debt resulting from cash flows	39,294	6,488
Other non-cash changes	-	5,731
Movement in net debt in year	39,294	12,219
Net debt at 31 March 2002	(106,179)	(118,398)
Net debt at 31 March 2003	(66,885)	(106,179)

24. FINANCIAL COMMITMENTS

Capital commitments are as follows:

	2003 € 000	Group 2002 € 000
Contracted for but not provided for:		
- other	-	101

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

	2003		2002	
	Land and buildings € 000	Other € 000	Land and buildings € 000	Other € 000
Group				
Expiry date				
- within one year	142	1,038	375	1,704
- between two and five years	6,142	1,511	4,678	1,779
- over five years	261	-	-	-
	6,545	2,549	5,053	3,483

The company had no financial commitments at either year end.

25. PENSION ARRANGEMENTS

	2003 € 000	2002 € 000
Overseas schemes	1,146	981

The pension cost relating to overseas pension schemes included €1,080,000 (2002 - €913,000) paid in respect of the Dutch subsidiary undertakings and €66,000 (2002 - €68,000) paid in respect of the Belgian subsidiary undertakings.

NOTES TO THE FINANCIAL STATEMENTS (continued)**Year ended 31 March 2003****26. RELATED PARTY TRANSACTIONS**

The group has borrowed €4,346,000 (2002 - € 5,586,000) from Sir Peter Rigby, the holder of 100% of the issued ordinary share capital of the business. The loan is unsecured and bears interest at base rate plus 1%. Total interest accrued at 31 March 2003 is €538,000 (2002 - € 603,000).

Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc)

During the year, Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc) and its subsidiary undertakings, in which Sir Peter Rigby is a significant shareholder and director, continued to be an investor, and traded with the group.

Preference shares

The rights attaching to the 6,062,100 cumulative preference shares of £1 acquired by Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc) in the previous year are disclosed in note 16.

Subordinated loan notes

On 29 January 2003 the €5,000,000 subordinated loan note owing to Specialist Computers Holdings plc was repaid, together with accumulated interest.

Interest accrued during the year ended 31 March 2003 was €565,000 (2002 - €318,000).

Trading with subsidiaries of Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc)

The group made purchases from subsidiaries of Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc) during the year of €50,075,000 (2002 - €4,922,000).

During the year, the group made sales of €203,051,000 (2002 - €385,000) to subsidiaries of Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc). The following balances between the group and subsidiaries of Specialist Computer Holdings (UK) plc (formerly Specialist Computer Holdings plc) were outstanding at 31 March 2003.

Group company	2003 € 000	2002 € 000
SCH Services BV (formerly Info' Products Holdings BV)	(1,674)	-
SCC Services BV (formerly Info' Products BV)	-	(2,087)
SCC SA (formerly Allium SA)	9,200	(968)
ETC Bestware BV (formerly Bestware BV)	(85)	13
SCC SpA (formerly Allium Italia SpA)	(58)	(51)
SCC NV (Info Products Belgie NV)	15	(76)
SCC GmbH (formerly Info Products Deutschland GmbH)	23	(15)
Specialist Computers International (SCI) BV	-	(5,406)
	<u>7,421</u>	<u>(8,590)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 March 2003

27. POST BALANCE SHEET EVENTS

Subsequent to the year end, on 1 August 2003 the entire share capital of the company was acquired by SCI Jersey Limited. On the same date the entire share capital of the company SCI Jersey Limited was acquired by Enquirystar Limited.

On 8 August 2003, Specialist Computer Holdings plc changed its name to Specialist Computer Holdings (UK) plc. On the same day, Enquirystar Limited changed its name to Specialist Computer Holdings plc and re-registered as a plc.

On 5 January 2004 the entire share capital of Pluz BV, a Dutch company, was acquired by the group. It is intended that the operations of this company will be integrated into those of ETC Bestware BV (formerly Bestware BV) in due course. The fair value of the assets and liabilities, together with consideration therefore will be included in the financial statements of the group for the year ended 31 March 2004.

28. CONTROLLING PARTY

Sir Peter Rigby, a director of Specialist Computer Holdings plc (formerly Enquirystar Limited), controls the company as a result of holding 85% of the issued 'A' ordinary share capital of Specialist Computer Holdings plc (formerly Enquirystar Limited).

The ultimate controlling body has not changed as a result of the transaction on 1 August 2003.