

SOFTCAT PLC
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 JULY 2002



Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

RAYNER ESSEX
CHARTERED ACCOUNTANTS

SOFTCAT PLC

COMPANY INFORMATION

Directors	P D J Kelly W J Kenny D Fawell (appointed 1/8/01) D E Simpson (appointed 1/8/01)
Secretary	P D J Kelly
Company number	2174990
Bankers	HSBC Plc 46 High Street Marlow Bucks SL7 1AT
Solicitors	Morgan Cole Apex Plaza Reading Berks RG1 1GY
Registered Office	1 Twyford Place Lincoln's Inn Lincoln Road High Wycombe Bucks HP12 3RE
Auditors	Rayner Essex Chartered Accountants Faulkner House Victoria Street St Albans Herts AL1 3SE

SOFTCAT PLC

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SOFTCAT PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 JULY 2002

I am delighted to report that 2002 was the best year ever for Softcat.

2002 presented a difficult economic environment – but even with this obstacle, we grew revenues on a year on year basis by more than 21%, and profit before tax (£1,152,141) by more than 61%, exceeding our target profit of £903,000 set at the beginning of the financial year.

With these levels of growth came increased profit margin, which have generated significant positive cash balances post year-end.

To support our growth we completed a massive overhaul of our internal systems and processes creating a fully integrated, streamlined and profitable business model.

The year saw us not only achieve outstanding results but also renewed focus on developing business strategies for the next level of success.

- The final steps of digital migration we began five years ago were completed along with the CRM project we began in 1999. Today, Softcat is unified, integrated, scalable and on one platform from the website to the supporting back-end systems.
- A major ambition for the business was realised during the year, that of gaining Large Account Reseller (LAR) status from Microsoft, making us one of only 20 companies in the UK with the ability to sell Microsoft's Volume License schemes. We also took our Microsoft Open Subscription Licensing (OSL) business to new levels, retaining our No1 position as reseller of this scheme and achieving over 47% of all OSL's sold in the UK, exceeding our own high expectations.
- Our specialist divisions dedicated to IT Services (Softcat Services) and Security (Sequire IT) developed into profitable independent business units. The continued growth of these divisions should contribute to further increases in gross profit margin during 2003.
- The marketing department has focussed its efforts in achieving a succinct brand strategy, positioning Softcat as the definitive source for Software Licensing in the UK, along with developing market awareness for all divisions of the business in the corporate marketplace.

The outlook for 2003 looks very good and I have no doubt that Softcat is well placed to compete effectively for further growth.



.....
P D J Kelly
Chairman

24/02/2003

SOFTCAT PLC

DIRECTORS REPORT

FOR THE YEAR ENDED 31 JULY 2002

The directors present their report and financial statements for the year ended 31 July 2002.

Principal activities

The principal activity of the company is that of IT suppliers to the corporate market.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Business review

On 1 August 2001 the trade of Software Catalogue Plc was hived up to its holding company Softcat Plc.

On 31 March 2002 the assets and liabilities were also hived up to Softcat Plc.

Mac Recruitment Limited, a wholly owned subsidiary, was de-merged from the group on 1 August 2001.

Major acquisition

During the year the company completed the acquisition of Software Catalogue Plc by purchasing the issued share capital held by minority interests for consideration of £1,292,560 (see note 10).

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 August 2001:

P D J Kelly

W J Kenny

D Fawell

D E Simpson

(Appointed 1 August 2001)

(Appointed 1 August 2001)

Directors' interests

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

	31 July 2002	Ordinary shares of 1p each 1 August 2001
P D J Kelly	4,811,500	-
W J Kenny	403,600	-
D Fawell	403,600	-
D E Simpson	403,600	-
	31 July 2002	'MR' shares of 1p each 1 August 2001
P D J Kelly	188,500	-
W J Kenny	-	-
D Fawell	-	-
D E Simpson	-	-

SOFTCAT PLC

DIRECTORS REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2002

	31 July 2002	Ordinary shares of £1 each 1 August 2001
P D J Kelly	-	50,000
W J Kenny	-	-
D Fawell	-	-
D E Simpson	-	-

As part of the restructuring process of the group, the share capital was sub-divided into 1p Ordinary shares. 188,500 1p Ordinary shares were reclassified as 'MR' shares to facilitate the demerger of Mac Recruitment Limited from the group.

Softcat plc acquired the remaining shares in Software Catalogue Plc via consideration of cash and a share for share exchange on the basis of 1.2611 of its own shares for each one in Software Catalogue plc.

Charitable donations

	2002 £	2001 £
During the year the company made the following payments:		
Charitable donations	2,700	-

Creditor payment policy

The company's current policy concerning the payment of trade creditors is that approved invoices are settled within the suppliers' terms. The average settlement period for suppliers' invoices during the year under review was 41 days.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Rayner Essex Chartered Accountants be re-appointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

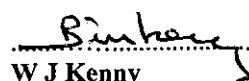
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

On behalf of the board

24/02/2003


W J Kenny
Secretary

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF SOFTCAT PLC

We have audited the financial statements of Softcat Plc on pages 4 to 20 for the year ended 31 July 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 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.

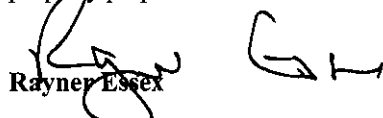
Basis of audit opinion

We conducted our audit in accordance with 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 July 2002 and the profit and cashflows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Rayner Essex

Chartered Accountants and Registered Auditors
Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

Date: 25/02/2003

SOFTCAT PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2002

	Notes	2002 £	2001 £	2001 £	2001 £
			CONTINUING	DISCONTINUED	TOTAL
Turnover	2	38,608,545	31,868,970	795,969	32,664,939
Cost of sales		(31,456,070)	(27,331,930)	(396,852)	(27,728,782)
Gross profit		7,152,475	4,537,040	399,117	4,936,157
Administrative expenses		(5,968,755)	(3,730,710)	(364,620)	(4,095,330)
Operating profit		1,183,720	806,330	34,497	840,827
Amounts written off investments		(2)			-
Interest payable and similar charges	4	(31,577)			(123,786)
Profit on ordinary activities before taxation	3	1,152,141			717,041
Tax on profit on ordinary activities	6	(493,697)			(234,599)
Profit on ordinary activities after taxation		658,444			482,442
Minority interest		-			(219,983)
Profit attributable to the group		658,444			262,459
Dividends	7	(220,918)			-
Dividend in specie	7	(83,128)			-
Transfer to reserves	17	354,398			262,459

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

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

SOFTCAT PLC

CONSOLIDATED BALANCE SHEET AT 31 JULY 2002

	Note	2002	2001
		£	£
Fixed assets			
Intangible assets	8	464,264	-
Tangible assets	9	376,425	514,579
Investments	10	-	-
		<u>840,689</u>	<u>514,579</u>
Current assets			
Stocks	11	1,279,763	335,138
Debtors	12	16,722,295	7,028,905
Cash at bank and in hand		2,094	8,690
		<u>18,004,152</u>	<u>7,372,733</u>
Creditors: amounts falling due within one year	13	<u>(16,231,461)</u>	<u>(6,072,918)</u>
Net current assets/liabilities		<u>1,772,691</u>	<u>1,299,815</u>
Total assets less current liabilities		<u>2,613,380</u>	<u>1,814,394</u>
Creditors: amounts falling due after more than one year	14	(3,142)	(12,570)
Provisions for liabilities and charges	15	(36,167)	-
Equity shareholders' funds		<u>2,574,071</u>	<u>1,801,824</u>
Capital and reserves			
Called up share capital	16	59,205	21,875
Capital reserve	17	3,500	3,500
Merger Reserve	17	1,157,230	-
Profit and loss account	17	1,354,136	999,738
Equity shareholders' funds	18	<u>2,574,071</u>	<u>1,025,113</u>
Minority interests	21	-	776,711
Total capital employed		<u>2,574,071</u>	<u>1,801,824</u>

The financial statements were approved by the Board of directors on 24/02/2003


P D J Kelly
Director

SOFTCAT PLC

BALANCE SHEET

AS AT 31 JULY 2002

	Notes	2002	2001
		£	£
Fixed assets			
Tangible assets	9	376,425	81,651
Investments	10	1,324,067	31,509
		<u>1,700,492</u>	<u>113,160</u>
Current assets			
Stocks	11	1,279,763	-
Debtors	12	16,722,295	248,474
Cash at bank and in hand		2,094	8,043
		<u>18,004,152</u>	<u>256,517</u>
Creditors: amounts falling due within one year	13	(17,838,871)	(226,883)
Net current assets		<u>165,281</u>	<u>29,634</u>
Total assets less current liabilities		<u>1,865,773</u>	<u>142,794</u>
Creditors: amounts falling due after more than one year	14	(3,142)	-
Provisions for liabilities and charges	15	(36,167)	-
		<u>1,826,464</u>	<u>142,794</u>
Capital and reserves			
Called up share capital	16	59,205	21,875
Other reserves	17	1,157,230	-
Profit and loss account	17	610,029	120,919
Shareholders' funds - equity interests	18	<u>1,826,464</u>	<u>142,794</u>

The financial statements were approved by the Board on 24/02/2003


 P D J Kelly
 Director

SOFTCAT PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 JULY 2002

	Note	2002 £	2001 £
Net cash (outflow)/inflow from operating activities	22	(729,102)	662,606
Returns on investments and servicing of finance	23	(31,577)	(123,786)
Taxation		(234,526)	(307,448)
Capital expenditure and financial investment	23	(80,012)	(196,624)
Acquisitions and disposals	23	(87,990)	-
Equity dividends paid		(220,918)	-
Cash (outflow)/inflow before use of liquid resources and financing		(1,384,125)	34,748
Financing	23	(18,106)	(21,878)
Increase/(decrease) in cash		<u>(1,402,231)</u>	<u>12,870</u>
RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash in the period		(1,402,231)	12,870
Cash flow from decrease/(increase) in debt and lease financing		431,845	54,570
Movement in net debt resulting from cashflows		(970,386)	67,440
Non-cash movements		(31,109)	(31,109)
Movement in net debt in period	24	(1,001,495)	36,331
Net debt at 1 August 2001	24	(2,385,936)	(2,422,267)
Net debt at 31 July 2002	24	<u>(3,387,431)</u>	<u>(2,385,936)</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

1. Accounting policies

1.1 Accounting Convention

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention and the Companies Act 1985.

1.2 Basis of Consolidation

The group financial statements consolidate those of the company and its trading subsidiary undertakings (see note 10) drawn up to 31 July 2002. The results of its subsidiary undertakings have been included using the acquisition method of accounting and are consolidated from the date the Group gains control.

1.3 Turnover

Turnover is the total amount receivable by the group in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT and trade discounts.

1.4 Intangible fixed assets

On the acquisition of a subsidiary undertaking fair values are attributed to the assets and liabilities acquired. Goodwill, which represents the difference between the purchase consideration and the fair values of those net assets, is capitalised and amortised on a straight line basis over a period which represents the directors' estimate of its useful economic life.

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 value of each asset over its expected useful life, as follows:

Computer equipment	3 years straight line	(2001 : 33% straight line)
Fixtures, fittings & equipment	6 years straight line	(2001 : 15% reducing balance)
Motor vehicles	33% reducing balance	

The depreciation rates have been changed during the year so as to write down the assets more precisely over their expected useful lives.

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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.

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

1.10 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS 19 - 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.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no asset/liability would have been recognised as the conditions for recognition would not have been satisfied.

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.

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

	2002 £	2001 £
Operating profit is stated after charging:		
Depreciation of tangible assets	217,893	152,097
Operating lease rentals	129,662	-
Auditors' remuneration	12,000	10,600
Remuneration of auditors for non-audit work	8,083	11,383
	<u>267,638</u>	<u>174,080</u>

Softcat Plc has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985.

4. Interest payable

	2002 £	2001 £
On bank loans and overdrafts	3,355	6,098
Hire purchase interest	2,729	1,028
On overdue tax	708	10,238
On amounts payable to factors	24,785	106,422
	<u>31,577</u>	<u>123,786</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

5. Directors and employees

The average number of employees of the group during the year and their aggregate emoluments are shown below:

	2002 £	2001 £
Wages and salaries	3,599,900	2,535,525
Social security	398,851	268,864
Pension costs	54,137	59,721
	<u>4,052,888</u>	<u>2,864,110</u>

The average monthly number of employees of the group during the period was 93 (2001: 91).

Staff costs include remuneration in respect of directors, as follows:

	2002 £	2001 £
Aggregate emoluments	431,783	460,757
Pension contributions	12,600	9,400
	<u>444,383</u>	<u>470,157</u>

The number of directors to whom retirement benefits are accruing under pension schemes is as follows:

	No:	No:
Defined contribution scheme	4	4

Highest paid director

	2002 £	2001 £
Aggregate emoluments	120,000	150,085
Contributions to a money purchase pension scheme	3,000	3,000
	<u>123,000</u>	<u>153,085</u>

6. Taxation

	2002 £	2001 £
Domestic current year tax		
U.K. corporation tax	457,530	234,599
Current tax charge	457,530	234,599
Deferred tax		
Deferred tax charge current year at 30%	36,167	-
	<u>493,697</u>	<u>234,599</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

6. Taxation (Continued)	2002 £	2001 £
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	1,152,141	717,041
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2001: 20.00%)	345,642	212,728
Effects of:		
Non deductible expenses	64,852	7,195
Amortisation	15,476	-
Depreciation	65,368	45,449
Capital allowances	(33,808)	(29,773)
	111,888	22,871
Current tax charge	457,530	234,599

7. Dividends	2002 £	2001 £
Ordinary interim paid	220,918	-

£120,918 was paid to Ordinary shareholders and £100,000 to "MR" shareholders

	2002 £	2001 £
Dividend in specie	83,128	-

Mac Recruitment Limited was demerged from the group on 1 August 2001.

8. Intangible fixed assets	Goodwill £
Cost	
At 1 August 2001	-
Additions	515,849
At 31 July 2002	515,849
Amortisation	
At 1 August 2001	-
Provided in the year	51,585
At 31 July 2002	51,585
Net book value	
At 31 July 2002	464,264
At 31 July 2001	-

Goodwill arising on the purchase of the remaining 48.3% share capital in Software Catalogue Plc is being amortised over 10 years.

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

9. Tangible fixed assets

The group	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 August 2001	272,875	585,556	143,710	1,002,141
Additions at cost	27,081	84,040	-	111,121
Disposals	(15,513)	-	(76,046)	(91,559)
At 31 July 2002	284,443	669,596	67,664	1,021,703
Depreciation				
At 1 August 2001	104,319	317,520	65,723	487,562
Provided in the year	28,506	168,731	20,656	217,893
Disposals	(6,639)	-	(53,538)	(60,177)
At 31 July 2002	126,186	486,251	32,841	645,278
Net book value				
At 31 July 2002	158,257	183,345	34,823	376,425
At 31 July 2001	168,556	268,036	77,987	514,579
The company				
	Fixtures, fittings & equipment £	Computer equipment £	Motor vehicles £	Total £
Cost				
At 1 August 2001	105,278	61,857	91,545	258,680
Additions at cost	27,081	84,040	-	111,121
Transfers from subsidiary	114,222	268,036	41,795	424,053
Disposals	-	-	(76,045)	(76,045)
At 31 July 2002	246,581	413,933	57,295	717,809
Depreciation				
At 1 August 2001	59,818	61,857	55,354	177,029
Provided in the year	28,506	168,731	20,656	217,893
Disposals	-	-	(53,538)	(53,538)
At 31 July 2002	88,324	230,588	22,472	341,384
Net book value				
At 31 July 2002	158,257	183,345	34,823	376,425
At 31 July 2001	45,460	-	36,191	81,651

The depreciation rates have been changed during the year so as to write down the assets more precisely over their expected useful lives.

If the change had not been made the total depreciation charged for the year would have been £144,091 and the total net book value £440,553.

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR 31 JULY 2002

9. Tangible fixed assets (continued)

Included in the figures stated above are assets held under finance leases as follows:

The group

	Motor vehicles £
Net book value at 31 July 2002	15,905
Net book value at 31 July 2001	69,672

The company

	Motor vehicles £
Net book value at 31 July 2002	15,905
Net book value at 31 July 2001	38,563

10. Fixed asset investments

	Total £
Cost at 1 August 2001	31,509
Acquisitions (i)	1,292,560
Disposals (ii)	(2)
Cost at 31 July 2002	1,324,067

At 31 July 2002 the company held more than 10% of the equity of the following companies:

Subsidiary	Country of registration	Class of share capital held	Proportion held	Nature of business
Software Catalogue Plc	England & Wales	Ordinary	100%	Dormant
Software Licensing Ltd	England & Wales	Ordinary	100%	Dormant
Softcat Services Ltd	England & Wales	Ordinary	100%	Dormant
Skills on Line Ltd	England & Wales	Ordinary	100%	Dormant
Sequire IT Ltd	England & Wales	Ordinary	100%	Dormant

Software Licensing Ltd, Softcat Services Ltd, Skills on Line Ltd and Sequire IT Ltd remained dormant throughout the year. Their aggregate capital and reserves are negligible, and their accounts have therefore been excluded from the consolidated figures on the grounds of immateriality (S.229(2) Companies Act 1985).

(i) As at 31 July 2001 Softcat Plc held 51.7% of the issued share capital of Software Catalogue Plc and during the year it purchased the remaining 48.3% as follows:-

3,152 (4.65%) £1 Ordinary shares were purchased for consideration of £98,000.

29,600 (43.7%) £1 Ordinary shares were acquired via a share for share exchange on the basis of 1.2611 of Softcat Plc's shares for each £1 share in Software Catalogue Plc.

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

10. Fixed asset investments (continued)

The investment in Software Catalogue Plc has been included at its fair value at the date of acquisition.

Analysis of acquisition

	Book Value	Revaluation	Fair Value to group
Tangible assets	424,053	-	424,053
Stocks	335,138	-	335,138
Debtors	6,916,327	-	6,916,327
Cash	647	-	647
Creditors due within one year	(6,056,184)	-	(6,056,184)
Creditors due in more than one year	(12,570)	-	(12,570)
Net assets	1,607,411	-	1,607,411
48.3% share purchased from minority interests			776,711
Goodwill arising on acquisition			515,849
Consideration			1,292,560
Represented by:			
Cash			98,000
Share for share exchange			1,194,560
			1,292,560

The book values were considered by the directors to be not materially different from their fair values therefore no assets or liabilities were re-valued.

(ii) The group's 100% interest in Mac Recruitment Limited was de-merged from the group on 1 August 2001 as part of the group's restructuring process for a consideration of £nil.

11. Stocks

	The group	
	2002 £	2001 £
Goods for resale	1,279,763	335,138

12. Debtors

	The group		The company	
	2002 £	2001 £	2002 £	2001 £
Amounts owed by group undertakings	-	-	-	154,056
Trade debtors (a)	16,262,021	6,671,790	16,262,021	1,627
Other debtors	140,170	148,135	140,170	16,424
Prepayments and accrued income	320,104	145,175	320,104	41,483
Directors' loan accounts	-	63,805	-	34,884
	16,722,295	7,028,905	16,722,295	248,474

(a) Trade debtors include factored debts of £Nil (2001: £6,425,684).

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

13. Creditors: amounts falling due within one year

	2002 £	The group 2001 £	2002 £	The company 2001 £
Bank overdrafts	3,376,955	1,981,320	3,376,955	-
Trade creditors	8,226,747	2,872,160	8,226,747	18,846
Amounts owed to group undertakings	-	-	1,607,410	105,148
Corporate taxation	457,533	234,529	457,533	3
Social security and other taxes	1,110,843	187,142	1,110,843	68,445
Accruals and deferred income	2,925,847	396,206	2,925,847	24,854
Directors current accounts	124,108	-	124,108	-
Other creditors	-	383,371	-	825
Net obligations under hire Purchase contracts	9,428	18,190	9,428	8,762
	<u>16,231,461</u>	<u>6,072,918</u>	<u>17,838,871</u>	<u>226,883</u>

There is a fixed and floating charge over all other assets dated 17 October 2002.

14. Creditors: amounts falling due after more than one year

	2002 £	2001 £
Net obligations under hire purchase contracts	<u>3,142</u>	<u>12,570</u>
Net obligations under hire purchase contracts		
Repayable within one year	9,428	18,190
Repayable between one and five years	<u>3,142</u>	<u>12,570</u>
	12,570	30,760
Included in liabilities falling due within one year	<u>(9,428)</u>	<u>(18,190)</u>
	<u>3,142</u>	<u>12,570</u>

15. Provisions for liabilities and charges

	Deferred taxation £
Profit and loss account	<u>36,167</u>
	<u>36,167</u>

Deferred taxation provided in the financial statements is as follows:

	2002 £	2001 £
Accelerated capital allowances	<u>36,167</u>	<u>-</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

16. Share capital

	2002 £	2001 £
Authorised		
11,811,500 Ordinary shares of 1p each	118,115	-
188,500 'MR' shares of 1p each	1,885	-
50,000 Ordinary shares of £1 each	-	50,000
	<u>120,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
5,920,500 Ordinary shares of 1p each	<u>59,205</u>	<u>21,875</u>

During the year, 3,733,000 Ordinary shares of £0.01 each were allotted at par in order to acquire the share capital of Software Catalogue Plc (see note 10).

17. Statement of movements on reserves

	Capital reserve £	Merger reserve £	Profit and loss account £
The group			
Balance at 1 August 2001	3,500	-	999,738
Retained profit for the year	-	-	354,398
Movement during the year	-	1,157,230	-
	<u>3,500</u>	<u>1,157,230</u>	<u>1,354,136</u>
The company			
Balance at 1 August 2001	-	-	120,919
Retained profit for the year	-	-	489,110
Movement during the year	-	1,157,230	-
	-	<u>1,157,230</u>	<u>610,029</u>

18. Reconciliation of movements in shareholders' funds

	2002 £	2001 £
The group		
Profit for the financial year	658,444	262,459
Dividends	(220,918)	-
Dividend in specie	(83,128)	-
	<u>354,398</u>	<u>262,459</u>
Proceeds from issue of shares	37,330	-
Movements on other reserves	1,157,230	-
	<u>1,548,958</u>	<u>262,459</u>
Opening shareholders' funds	1,025,113	762,654
	<u>2,574,071</u>	<u>1,025,113</u>
Closing shareholders' funds		

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

18. Reconciliation of movements in shareholders' funds (continued)

	2002 £	2001 £
The company		
Profit for the financial year	710,028	-
Dividends	(220,918)	-
	<u>489,110</u>	<u>-</u>
Proceeds from issue of shares	37,330	-
Movements on other reserves	1,157,230	-
	<u>1,683,670</u>	<u>-</u>
Net addition to shareholders' funds	1,683,670	-
Opening shareholders' funds	142,794	142,794
	<u>1,826,464</u>	<u>142,794</u>
Closing shareholders' funds	1,826,464	142,794

19. Financial commitments

At 31 July 2002 the company had annual commitments under non-cancellable operating leases as follows:-

	Land and buildings	
	2002 £	2001 £
Expiry date:		
Within one year	121,540	-
Between two and five years	-	118,840
	<u>121,540</u>	<u>118,840</u>

20. Pensions

The company operates a defined contribution pension scheme for the benefit of the senior employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company. At the year end an amount of £8,143 was outstanding under the defined contribution scheme.

The total contributions paid in the year amounted to £54,137 (2001: £59,721).

21. Minority interests

	The group	
	2002 £	2001 £
Equity minority interests	-	776,711

The minority interest represented 48.3% (2001: 48.3%) of the share capital of Software Catalogue Plc, as at 31 July 2001. The share capital relating to minority interests was acquired during the year (see note 10).

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

22. Reconciliation of operating profit to operating cash flow

	2002 £	2001 £
Operating profit	1,183,720	840,827
Amortisation	51,585	-
Depreciation charges	217,893	152,098
Decrease/(increase) in stock	(1,108,223)	(163,598)
Increase in debtors	(9,913,442)	(1,250,139)
Increase in creditors	8,839,365	1,083,418
	<u>(729,102)</u>	<u>662,606</u>

23. Analysis of cash flows

	2002 £	2001 £
Returns on investments and servicing of finance:		
Interest paid	(4,063)	(16,336)
Interest element of finance lease rental payments	(2,729)	(1,028)
Interest element of factor charges	<u>(24,785)</u>	<u>(106,422)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(31,577)</u>	<u>(123,786)</u>
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	<u>(80,012)</u>	<u>(196,624)</u>
Net cash outflow for capital expenditure and financial investment	<u>(80,012)</u>	<u>(196,624)</u>
Acquisitions and disposals		
Purchase of Software Catalogue Plc's shares	(98,000)	-
Disposal of overdraft with demerger of Mac Recruitment Limited	10,010	-
	<u>(87,990)</u>	<u>-</u>
Financing:		
Capital element of finance lease repayments	<u>(18,106)</u>	<u>(21,878)</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2002

24. Analysis of net debt

	At 31 July 2001 £	Cash flow £	Other non- cash changes £	At 31 July 2002 £
Cash in hand	8,690	(6,596)	-	2,094
Overdrafts	(1,981,320)	(1,395,635)	-	(3,376,955)
	<u>(1,972,630)</u>	<u>(1,402,231)</u>	<u>-</u>	<u>(3,374,861)</u>
Debt due within 1 year	(382,546)	382,546	-	-
Finance leases	(30,760)	49,299	(31,109)	(12,570)
	<u>(2,385,936)</u>	<u>(970,386)</u>	<u>(31,109)</u>	<u>(3,387,431)</u>

25. Disclosure of control

The ultimate controlling party of the group is Mr P D J Kelly, Director.

26. Related party transactions

	2002 £	2001 £
Purchases for the year ended 31 July 2002: Mac Recruitment Limited (i)	<u>104,700</u>	<u>88,657</u>
Sales for the year ended 31 July 2002: Mac Recruitment Limited	<u>52,344</u>	<u>38,249</u>
Loans receivable outstanding as at 31 July 2002: Mac Recruitment Limited	<u>89,906</u>	<u>201,891</u>

(i) Mac Recruitment Limited has a common director and shareholder.