

Company Registration No. 2174990 (England and Wales)

SOFTCAT PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2004

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
D E Simpson
J A S Nash
J J Paish (formerly Hughes)

Secretary

W J Kenny

Company number

2174990

Registered office

Morton House
Thames Valley Industrial Park
Marlow
Bucks
SL7 1LY

Auditors

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

SOFTCAT PLC

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SOFTCAT PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2004

The directors present their report and financial statements for the year ended 31 July 2004.

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.

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.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of a final dividend.

Directors

The following directors have held office since 1 August 2003:

P D J Kelly
W J Kenny
D Fawell
D E Simpson
J A S Nash
J J Paish (formerly Hughes)

Directors' interests

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

	Ordinary shares of 1p each	
	31 July 2004	1 August 2003
P D J Kelly	4,811,400	4,811,400
W J Kenny	403,600	403,600
D Fawell	403,600	403,600
D E Simpson	403,600	403,600
J A S Nash	1,261,100	1,261,100
J J Paish (formerly Hughes)	-	-

	'MR' shares of 1p each	
	31 July 2004	1 August 2003
P D J Kelly	188,500	188,500
W J Kenny	-	-
D Fawell	-	-
D E Simpson	-	-
J A S Nash	-	-
J J Paish (formerly Hughes)	-	-

Charitable donations	2004	2003
	£	£

During the year the company made the following payments:

Charitable donations	3,000	310
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SOFTCAT PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

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 46 days.

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.

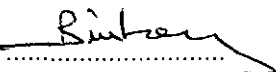
Directors' responsibilities

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



W J Kenny

Director

22/2/05

SOFTCAT PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOFTCAT PLC

We have audited the financial statements of Softcat Plc on pages 4 to 18 for the year ended 31 July 2004. These financial statements have been prepared under the historical cost convention and 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 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the 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 the company's affairs as at 31 July 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Rayner Essex
Chartered Accountants
Registered Auditor

23 February 2005

Faulkner House
Victoria Street
St Albans
Herts
AL1 3SE

SOFTCAT PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2004

	Notes	2004 £	2003 £
Turnover	2	51,132,739	39,477,041
Cost of sales		(42,426,369)	(32,128,468)
Gross profit		<u>8,706,370</u>	<u>7,348,573</u>
Administrative expenses		(6,712,752)	(5,691,702)
Operating profit	3	<u>1,993,618</u>	<u>1,656,871</u>
Investment income	4	1,539,659	-
Other interest receivable and similar income	4	49,832	36,598
Amounts written off investments	5	(1,256,310)	-
Interest payable and similar charges	6	(3,094)	(9,750)
Profit on ordinary activities before taxation		<u>2,323,705</u>	<u>1,683,719</u>
Tax on profit on ordinary activities	7	(644,506)	(506,218)
Profit on ordinary activities after taxation	16	<u><u>1,679,199</u></u>	<u><u>1,177,501</u></u>

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

BALANCE SHEET AS AT 31 JULY 2004

	Notes	2004		2003	
		£	£	£	£
Fixed assets					
Tangible assets	8	687,328		371,315	
Investments	9	67,757		1,324,067	
		<u>755,085</u>		<u>1,695,382</u>	
Current assets					
Stocks	10	245,164	288,716		
Debtors	11	13,687,734	10,161,259		
Cash at bank and in hand		1,791,488	1,379,014		
		<u>15,724,386</u>	<u>11,828,989</u>		
Creditors: amounts falling due within one year	12	<u>(11,781,142)</u>	<u>(10,504,494)</u>		
Net current assets		<u>3,943,244</u>		<u>1,324,495</u>	
Total assets less current liabilities		<u>4,698,329</u>		<u>3,019,877</u>	
Provisions for liabilities and charges	13	<u>(15,165)</u>		<u>(15,912)</u>	
		<u>4,683,164</u>		<u>3,003,965</u>	
Capital and reserves					
Called up share capital	15	59,205	59,205		
Other reserves	16	-	1,157,230		
Profit and loss account	16	4,623,959	1,787,530		
Shareholders' funds - equity interests	17	<u>4,683,164</u>		<u>3,003,965</u>	

The financial statements were approved by the Board on

29/2/05


P D J Kelly
Director

SOFTCAT PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2004

	£	2004 £	£	2003 £
Net cash (outflow)/inflow from operating activities		(110,232)		5,338,462
Returns on investments and servicing of finance				
Interest received	49,832		36,598	
Interest paid	(3,094)		(9,750)	
Dividends received	1,539,659		-	
Net cash inflow for returns on investments and servicing of finance		1,586,397		26,848
Taxation		(554,423)		(457,533)
Capital expenditure				
Payments to acquire tangible assets	(506,126)		(149,474)	
Receipts from sales of tangible assets	-		5,000	
Net cash outflow for capital expenditure		(506,126)		(144,474)
Net cash inflow before management of liquid resources and financing		415,616		4,763,303
Financing				
Capital element of hire purchase contracts	(3,142)		(9,428)	
Net cash outflow from financing		(3,142)		(9,428)
Increase in cash in the year		412,474		4,753,875

SOFTCAT PLC

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2004

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2004		2003	
		£		£	
	Operating profit	1,993,618		1,656,871	
	Depreciation of tangible assets	186,345		144,101	
	Loss on disposal of tangible assets	3,768		5,483	
	Decrease in stocks	43,552		991,047	
	(Increase)/decrease in debtors	(3,526,475)		6,561,036	
	Increase/(decrease) in creditors within one year	1,188,960		(4,020,076)	
	Net cash (outflow)/inflow from operating activities	(110,232)		5,338,462	
2	Analysis of net funds	1 August 2003	Cash flow	Other non-cash changes	31 July 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,379,014	412,474	-	1,791,488
	Debt:				
	Finance leases	(3,142)	3,142	-	-
	Net funds	1,375,872	415,616	-	1,791,488
3	Reconciliation of net cash flow to movement in net funds	2004		2003	
		£		£	
	Increase in cash in the year	412,474		4,753,875	
	Cash outflow from decrease in debt and lease financing	3,142		9,428	
	Movement in net funds in the year	415,616		4,763,303	
	Opening net funds/(debt)	1,375,872		(3,387,431)	
	Closing net funds	1,791,488		1,375,872	

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

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

1.4 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	33% reducing balance

1.5 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.

1.6 Investments

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

1.7 Stock

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

1.8 Pensions

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

1.9 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.

1.10 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 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

1 Accounting policies

(continued)

1.11 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.

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

	2004 £	2003 £
Operating profit is stated after charging:		
Depreciation of tangible assets	186,345	144,101
Loss on disposal of tangible assets	3,768	5,483
Loss on foreign exchange transactions	6,218	-
Operating lease rentals	157,804	117,044
Auditors' remuneration	12,000	12,000
Remuneration of auditors for non-audit work	5,000	14,000
and after crediting:		
Profit on foreign exchange transactions	-	(1,035)

4 Investment income

	2004 £	2003 £
Income from fixed asset investments	1,539,659	-
Bank interest	49,832	25,355
Other interest	-	11,243
	<u>1,589,491</u>	<u>36,598</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

5	Amounts written off investments	2004 £	2003 £
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Amounts written off fixed asset investments:

- permanent diminution in value	1,256,310	-
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A dividend of £1,539,659 was received from Software Catalogue plc out of its pre-combination profits. This dividend has been applied to reduce the carrying value of the investment to the extent necessary to provide for a diminution in value of the investment in the subsidiary undertaking as stated in the accounts.

The carrying value of the company's investment in Satellite Digital Systems Limited was written off following it being struck off the Company Register.

6	Interest payable	2004 £	2003 £
	On bank loans and overdrafts	2,520	5,341
	Hire purchase interest	574	1,541
	On amounts payable to factors	-	2,868
		<u>3,094</u>	<u>9,750</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

7	Taxation	2004 £	2003 £
	Domestic current year tax		
	U.K. corporation tax	642,708	526,473
	Adjustment for prior years	2,545	-
	Current tax charge	645,253	526,473
	Deferred tax		
	Deferred tax charge/credit current year	(747)	(20,255)
		644,506	506,218
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	2,323,705	1,683,719
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	697,112	505,116
	Effects of:		
	Non deductible expenses	49,861	3,647
	Depreciation add back	55,904	42,330
	Capital allowances	(56,102)	(24,620)
	Dividends and distributions received	(461,898)	-
	Other tax adjustments	360,376	-
		(51,859)	21,357
	Current tax charge	645,253	526,473

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

8 Tangible fixed assets

	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 August 2003	453,116	260,569	139,303	852,988
Additions	289,628	203,548	12,950	506,126
Disposals	-	-	(6,761)	(6,761)
At 31 July 2004	742,744	464,117	145,492	1,352,353
Depreciation				
At 1 August 2003	300,305	132,090	49,278	481,673
On disposals	-	-	(2,993)	(2,993)
Charge for the year	106,335	44,843	35,167	186,345
At 31 July 2004	406,640	176,933	81,452	665,025
Net book value				
At 31 July 2004	336,104	287,184	64,040	687,328
At 31 July 2003	152,811	128,479	90,025	371,315

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles £
Net book values	
At 31 July 2004	-
At 31 July 2003	12,025
Depreciation charge for the year	
At 31 July 2004	-
At 31 July 2003	3,880

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

9 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 August 2003 & at 31 July 2004	1,324,067
Provisions for diminution in value	
At 1 August 2003	-
Charge for the year	1,256,310
At 31 July 2004	1,256,310
Net book value	
At 31 July 2004	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 2004 £	Profit for the year 2004 £
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 PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

10 Stocks	2004 £	2003 £
Finished goods and goods for resale	245,164	288,716

11 Debtors	2004 £	2003 £
Trade debtors	12,926,830	9,780,908
Called up share capital not paid	9,600	9,600
Other debtors	318,720	73,507
Prepayments and accrued income	432,584	297,244
	13,687,734	10,161,259

Included in other debtors is a loan due from D E Simpson, a director, in the sum of £66,000 (2003:£nil). This is in contravention of S330 of the Companies Act 1985. The amount has been repaid in full since the year end.

12 Creditors: amounts falling due within one year	2004 £	2003 £
Net obligations under hire purchase contracts	-	3,142
Trade creditors	8,637,835	6,472,744
Amounts owed to subsidiary undertakings	67,752	1,607,411
Corporation tax	617,303	526,473
Other taxes and social security costs	690,987	527,163
Directors' current accounts	-	89,711
Accruals and deferred income	1,767,265	1,277,850
	11,781,142	10,504,494

There is a fixed and floating charge over all assets of the company dated 20 January 2002 in favour of the company's bankers.

Net obligations under hire purchase contracts

Repayable within one year	-	3,142
Finance charges and interest allocated to future accounting periods	-	-
	-	3,142

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

13 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 August 2003	15,912
Profit and loss account	(747)
	<hr/>
Balance at 31 July 2004	15,165
	<hr/>

The deferred tax liability is made up as follows:

	2004 £	2003 £
Accelerated capital allowances	15,165	15,912
	<hr/>	<hr/>

14 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.

	2004 £	2003 £
Contributions payable by the company for the year	68,154	76,157
	<hr/>	<hr/>

15 Share capital

	2004 £	2003 £
Authorised		
11,811,500 Ordinary shares of 1p each	118,115	118,115
188,500 'MR' shares of 1p each	1,885	1,885
	<hr/>	<hr/>
	120,000	120,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
5,920,500 Ordinary shares of 1p each	59,205	59,205
	<hr/>	<hr/>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

16 Statement of movements on profit and loss account

Profit and
loss
account
£

Balance at 1 August 2003	2,944,760
Retained profit for the year	1,679,199
Balance at 31 July 2004	<u>4,623,959</u>

17 Reconciliation of movements in shareholders' funds

2004
£

2003
£

Profit for the financial year	1,679,199	1,177,501
Opening shareholders' funds	3,003,965	1,826,464
Closing shareholders' funds	<u>4,683,164</u>	<u>3,003,965</u>

18 Financial commitments

At 31 July 2004 the company had annual commitments under non-cancellable operating leases as follows:

Land and buildings
2004
£

2003
£

Expiry date:		
Between two and five years	<u>298,638</u>	<u>42,250</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2004

19 Directors' emoluments	2004 £	2003 £
Emoluments for qualifying services	703,375	556,001
Company pension contributions to money purchase schemes	11,700	14,400
	<u>715,075</u>	<u>570,401</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2003- 5).

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

Emoluments for qualifying services	164,979	160,196
Company pension contributions to money purchase schemes	<u>3,000</u>	<u>6,000</u>

20 Transactions with directors

During the year P D J Kelly, a director of the company, had an interest free loan from the company. This loan was fully repaid before the year end and the maximum outstanding during the year was £282,481.

21 Employees

Number of employees

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

	2004 Number	2003 Number
Management	8	8
Administration	24	24
Sales	78	70
	<u>110</u>	<u>102</u>

Employment costs

	£	£
Wages and salaries	2,708,242	2,711,339
Commissions payable	1,726,252	1,156,270
Social security costs	515,465	401,539
Other pension costs	<u>68,154</u>	<u>76,157</u>
	<u>5,018,113</u>	<u>4,345,305</u>

SOFTCAT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 JULY 2004**

22 Control

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

23 Related party transactions

During the year the company provided administrative services for £60,929 (2003: £54,196), in the normal course of business, to Mac Recruitment Limited, a company controlled by Mr P D J Kelly, a common director. Softcat Plc also received services of £73,083 (2003: £125,355) from the same company.

At the year end, Mac Recruitment Limited owed the company £258,080 (2003: £77,199).

A dividend of £1,539,659 was received during the year from Software Catalogue Plc, a wholly owned subsidiary.

As at 31 July 2004, Softcat Plc owed Software Catalogue Plc £67,752 (2003: £1,607,411).