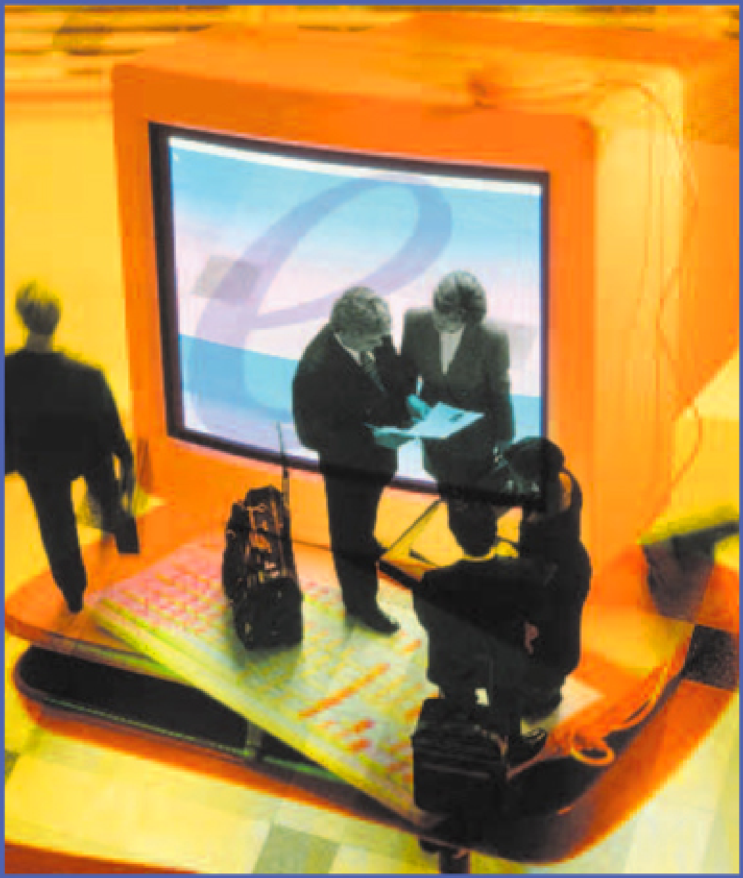
Annual Report



2004

ePlus inc.

Enterprise Cost Management

Software

Content+
Procure+
Manage+
DigitalPaper XE

Financial Services

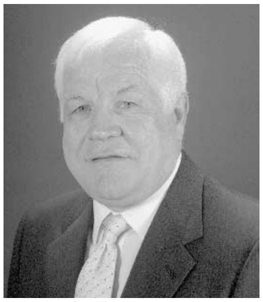
Finance+
Commercial Leasing
Federal Leasing
Municipal Leasing
Healthcare Industry Financing
Bank Programs
Vendor Services
Lease Process Automation

Business Services

Outsourced Procurement Services
Integrated Procurement and Asset Management (IPAM)
Information Technology Asset Management (ITAM)
ePlus Consulting

*e*Plus Technology

IT Services
IT Sourcing
Supply Chain Automation
Networks
Managed Services
Storage
Security
Desktop Outsourcing
IP Telephony



Phillip G. Norton
Chairman, President and CEO

July 2004

To Our Shareholders:

In fiscal year 2004, *e*Plus set new records for revenue, net income, and fully diluted earnings per share. We gained significant new customers and extended our breadth of software, services and solution offerings. We successfully consolidated our largest operating business unit and continued our share repurchase program.

Revenues for the year were $331 million, an increase of 10% over last year. Net income grew 4.5% to a record $10.2 million. Fully diluted earnings per share grew 6% to $1.02.

Our strategy to provide *e*Plus Enterprise Cost Management solutions, a fusion of software, services, and principal transactions, is meeting greater acceptance in the marketplace as the national economy continues to improve. Enterprises are seeking to transform their businesses by outsourcing processes to lower-cost, expert providers such as *e*Plus. In addition to reducing costs and gaining operational efficiencies, public companies are better able to manage risk and comply with Sarbanes-Oxley reporting and process requirements. Since 1996, we have been a visionary in providing customer solutions which combine software and services, and which has evolved to become Enterprise Cost Management today. We are continuing to invest in our products and services to meet the competitive demands of the marketplace.

We completed a major eProcurement implementation and content services project engagement for 7,000 users in six countries. The customer is a subsidiary of Hitachi Ltd., a Global 50 company. This was an important strategic win, as we competed against a Global 50 incumbent. We were able to complete the supplier collaboration portal, deploy 19,000 business rules across multiple commodity classes, and integrate with SAP and e2open, all within six months. We believe this time frame is one-third to one-half what would be possible with any other vendor, particularly with the unusual challenges involved: the first rollout was in Japan, the upgrade of Procure+ to Japanese, and the cut-over deadline with corresponding financial penalties.

This transaction, more than any other, has brought *e*Plus to a higher level of customer and solution complexity. It will increase our visibility, solidify our growing market position, and affirm *e*Plus as a market leader capable of providing large global customers with immediate ROI and a single point of accountability.

continued

Georgia Pacific, one of the world's largest manufacturers of paper and building products, selected *e*Plus to facilitate purchasing of technology equipment from more than 100 designated vendors. The Procure+ and catalog solution is used by more than 1,000 IT professionals in over 350 offices around the country. The transaction was awarded to *e*Plus after a lengthy evaluation of the major eProcurement vendors, proving again that we can compete against name-brand vendors at big enterprises. Because we are domain experts in the IT marketplace, Georgia Pacific benefited from reduced ramp-up time and deployment costs that will in turn accelerate spend management, including better vendor performance management and contract compliance, improved process controls for ordering, and aggregated and leveraged spend to reduce direct costs.

We implemented Content+ for a leading provider of drilling and production solutions for the oil and gas industry. The customer is using our content management capabilities to accelerate production of customized eCatalogs for each of its own customers, replacing a manual data cleansing system that caused delays and errors. Content+ will aggregate, classify and normalize product data for nearly 200,000 items, create enriched product descriptions and images, and manage both content and catalogs through the system's workflow and maintenance tools. *e*Plus was selected after a two-year due diligence process that involved evaluating multiple content management vendors, including the top enterprise software and service providers. Content+ was chosen for its maturity and deep functionality, including its ability to feed cleansed data directly into the company's SAP ERP system.

We consolidated multiple operating divisions in our technology business into a single operating unit. We have consolidated accounting and purchasing to reduce overhead and administrative costs, and implemented strategic sourcing. By doing so, we derive the same benefits as we provide to our customers: leveraged purchasing power, better visibility and transparency into the internal supply chain, and better financial controls and contract compliance. In the end, we believe we will be able to effectively lower our cost of products and thereby improve our margins, while simultaneously reducing our customers' costs by improving their processes.

Our technology sales consolidation and internal strategic sourcing initiative allowed us to reduce headcount by more than 10% over the course of the year, while at the same time overall corporate revenues increased 10% and sales of product increased 17%. Perhaps more importantly, our technology business is well-positioned to be an operating platform for future acquisitions, as demonstrated by the acquisition described next.

We acquired certain assets of Manchester Technologies in May of 2004. Manchester has been in business since the early 1970s and has a strong base of high-profile, long-term customers in metropolitan New York, Baltimore, and Florida. We purchased all of the domestic customer contracts, hired certain technicians and salespeople in Manchester's reseller business, and will assume or sublease office space to provide a smooth transition for our new employees and customers.

This is the first acquisition in which we were able to utilize our centralized web-based accounting, order entry, and CRM system. Significantly, all new orders were being processed by our systems the day after closing, and we were able to immediately eliminate administrative overhead that in prior acquisitions would have remained. As this approach proves itself, we will be able to accelerate the pace of acquisitions in this market space.

continued

In the Manchester transaction we also acquired Manchester Software, a company which provides custom software development services, web portals, business process consulting, and business performance management services. We are consolidating all of our software development and implementation activities under this group to provide better customer support, accelerate application development, reduce costs, and increase the effectiveness of our supply chain optimization approach.

We acquired the assets of Digital Paper Corporation. The web-based document access and collaboration software will enhance our content management capabilities and provide additional functionality within our Enterprise Cost Management platform. With the acquisition we also added a number of Fortune 1000 customers such as Sikorsky Aircraft, General Electric, and Northrop Grumman, creating the opportunity to cross-sell complementary products and solutions.

*e*Plus was awarded a U.S. Patent for the electronic cross-catalog searching capabilities developed for Content+ and Procure+, our company's comprehensive eCatalog production, content management and procurement systems. The Patent (U.S. Patent No. 6,505,172), entitled "Electronic Sourcing System," covers *e*Plus' technology for searching multiple catalogs from different suppliers simultaneously, checking inventory availability, and transferring information on selected items to generate purchase orders in an eProcurement, purchasing, ERP, or accounting system. The award of this Patent, which covers several fundamental processes in the supply chain, demonstrates technology and thought leadership.

We formed several customer advisory panels in key areas such as spend management and product content management to increase customer interaction and feedback.

In anticipation of growth, driven by the national economic recovery and acquisitions such as Manchester, we expanded our GE Distribution Finance facility to $50 million from $33 million.

To accommodate potential growth in our leasing and financing business, we added Bank of America to our National City Bank credit agreement and increased the facility from $35 million to $45 million.

*e*Plus continues to repurchase stock from time to time. Since we began this process in September 2001, we have repurchased 1.8 million shares of common stock at a total cost of $17.2 million, or $9.67 average price per share. In the 2004 fiscal year, we purchased 688,800 shares for $9.7 million, or $14.06 average per share, reducing our total outstanding shares from 9.5 million to 8.9 million shares.

On behalf of *e*Plus, I would like to thank our employees, customers, and investors for your confidence and continuing support of *e*Plus.

Phillip G. Norton
Chairman, President, and CEO

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ___.

Commission file number: 0-28926

*e*Plus inc.

(Exact name of registrant as specified in its charter)

Delaware	54-1817218
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

400 Herndon Parkway, Herndon, VA 20170
(Address, including zip code, of principal offices)

Registrant's telephone number, including area code: (703) 834-5710

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
	None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $0.01 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

The aggregate market value of the common stock held by non-affiliates of the Company, computed by reference to the closing price at which the stock was sold as of September 30, 2003 was $73,149,632. The outstanding number of shares of common stock of the Company as of June 7, 2004, was 8,915,058.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference into the indicated parts of this Form 10-K:

Document	Part
Portions of the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission within 120 days after the Company’s fiscal year end.	Part III

CAUTIONARY LANGUAGE ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this Form 10-K, other periodic reports filed by the Company under the Securities Exchange Act of 1934, as amended, and any other written or oral statements made by or on behalf of the Company are not based on historical fact, are based upon numerous assumptions about future conditions that may not occur. Words "believe," "expect," "anticipate," "project," and similar expressions signify forward-looking statements. Readers are cautioned not to place undue reliance on any forward-looking statements made by or on behalf of the Company. Any such statement speaks only as of the date the statement was made. Actual events, transactions and results may materially differ from the anticipated events, transactions, or results described in such statements. The Company's ability to consummate such transactions and achieve such events or results is subject to certain risks and uncertainties. Such risks and uncertainties include, but are not limited to the matters set forth below.

The Company's e-commerce business has a limited operating history. Although it has been in the business of financing and selling information technology equipment since 1990, the Company expects to derive a significant portion of its future revenues from its *e*Plus Enterprise Cost Management ("*e*ECM") service offering. As a result, the Company will encounter some of the challenges, risks, difficulties and uncertainties frequently encountered by early stage companies using new and unproven business models in new and evolving markets. Some of these challenges relate to the Company's ability to:

- increase the total number of users of *e*ECM services;
- adapt to meet changes in its markets and competitive developments; and
- continue to update its technology to enhance the features and functionality of its products.

The Company cannot be certain that its business strategy will be successful or that it will successfully address these and other challenges, risks and uncertainties.

Over the longer term, the Company expects to derive a significant portion of its revenues from *e*ECM services, which is based on an unproven business model. The Company expects to incur increased expenses that may negatively impact profitability. The Company also expects to incur significant sales and marketing, research and development, and general and administrative expenses in connection with the development and expansion of this business. As a result, the Company may incur significant losses in its e-commerce offerings in the foreseeable future, which may have a material adverse effect on the future operating results of the Company as a whole.

The Company began operating its *e*PlusSuite services in November 1999 and updated to its *e*ECM offering in 2002. Broad and timely acceptance of the *e*ECM services, which is critical to the Company's future success, is subject to a number of significant risks. These risks include:

- operating resource management and procurement on the Internet is an emerging market;
- the system's ability to support large numbers of buyers and suppliers is unproven;

- significant enhancement of the features and services of *e*ECM services is needed to achieve widespread commercial initial and continued acceptance of the system;
- the pricing model may not be acceptable to customers;
- if the Company is unable to develop and increase transaction volume on *e*ECM, it is unlikely that it will achieve or maintain profitability in this business;
- businesses that have made substantial up-front payments for e-commerce solutions may be reluctant to replace their current solution and adopt the Company’s solution;
- the Company’s ability to adapt to a new market that is characterized by rapidly changing technology, evolving industry standards, frequent new product announcements and established competition;
- significant expansion of internal resources is needed to support planned growth of the Company’s *e*ECM services.

PART I

ITEM 1. BUSINESS

*e*Plus inc. CORPORATE STRUCTURE

*e*Plus inc. ("the Company" or "*e*Plus"), a Delaware corporation, was formed in 1996. The Company changed its name from MLC Holdings, Inc. to *e*Plus inc. on October 19, 1999. *e*Plus engages in no other business other than serving as the parent holding company for the following companies:

- *e*Plus Group, inc. ("*e*Plus Group");
- *e*Plus Technology, inc.;
- *e*Plus Government, inc.;
- *e*Plus Canada Company;
- *e*Plus Capital, inc.;
- *e*Plus Systems, inc.;
- *e*Plus Content Services, inc.;
- *e*Plus Document Systems, inc.; and
- *e*Plus Information Holdings, inc.

On March 31, 2003, the former entities *e*Plus Technology of PA, inc. and *e*Plus Technology of NC, inc. were merged into *e*Plus Technology, inc. This combination created one national entity through which our information technology ("IT") reseller and technical support conducts business. *e*Plus Systems, inc. and *e*Plus Content Services, inc. were incorporated on May 15, 2001 and are the entities that hold certain assets and liabilities originally acquired from ProcureNet, Inc. *e*Plus Capital, inc. owns 100 percent of *e*Plus Canada Company which was created on December 27, 2001 to transact business within Canada. *e*Plus Government, inc. was incorporated on September 17, 1997 to handle business servicing the Federal government marketplace, which includes financing transactions that are generated through government contractors. *e*Plus Document Systems inc. was incorporated on October 15, 2003 and is the entity that holds certain assets and liabilities originally acquired from Digital Paper Corporation. On January 6, 2004, *e*Plus Information Holdings, inc. was incorporated; however, to date, the entity has conducted no business and has no employees or business locations. *e*Plus Group also has a 5% membership interest in MLC/CLC LLC and serves as its manager. On October 22, 1997, the Company formed MLC Leasing, S.A. de C.V., which is jointly owned by *e*Plus Group, inc. and *e*Plus Technology, inc., to provide a legal entity capable of conducting a leasing business in Mexico. To date, this entity has conducted no business and has no employees or business locations.

ACQUISITIONS

The Company has acquired the following material entities or assets since 1999. The following is a summary of the acquisitions presented in chronological order.

Date Acquired	Acquisition	Major Business Locations	Accounting Method	Consideration
May 28, 2004	Certain assets and liabilities from Manchester Technologies, Inc. (merged into *e*Plus Technology, inc. upon acquisition)	Metro New York, South Florida and Baltimore, MD	Purchase	$5,000,000 in cash and assumption of certain liabilities
October 10, 2003	Certain assets and liabilities from Digital Paper Corporation	Herndon, VA	Purchase	$1,601,632 in cash plus the assumption of certain liabilities
March 29, 2002	Certain assets and liabilities from Elcom International, Inc.'s IT fulfillment and professional services business (merged into *e*Plus Technology, inc. upon acquisition)	Boston, MA, Philadelphia, PA, San Diego, CA and New York, NY	Purchase	$2,150,000 in cash plus the assumption of certain liabilities
October 4, 2001	SourceOne Computer Corporation (merged into *e*Plus Technology, inc. upon acquisition)	Campbell, CA	Purchase	274,999 shares of common stock valued at $2,007,500 and $800,006 in cash
May 15, 2001	Certain assets and liabilities from ProcureNet, Inc. (merged into newly created entities *e*Plus Systems, inc. and *e*Plus Content Services, inc.)	Avon, CT and Houston, TX	Purchase	442,833 shares of common stock valued at $3,873,150 and $1,000,000 in cash plus the assumption of certain liabilities

October 1, 1999	CLG, Inc. (merged into *e*Plus Group, inc. upon acquisition)	Raleigh, NC	Purchase	392,990 shares of common stock valued at $3,900,426, subordinated notes to seller of $3,064,574 and $29,535,000 in cash

OUR BUSINESS

*e*Plus has developed its *e*ECM model through development and acquisition of software, products, and business process services over the past five years. Our current offerings include IT sales and professional services, leasing and financing services, asset management software, and services, procurement software, document management and distribution software and electronic catalog content management software and services. We have been in the business of selling, leasing, financing, and managing information technology and other assets for over ten years and currently derive the majority of our revenues from such activities. We sell primarily by using our internal sales force and through vendor relationships to commercial customers, federal, state and local governments, and higher education institutions. We also lease and finance equipment, and supply software and services directly and through relationships with vendors, equipment manufacturers, and systems integrators.

*e*Plus *e*ECM is positioned to provide a comprehensive offering of products and services to our target market of middle market and larger businesses, governments, and institutions. Enterprise Cost Management is a multi-disciplinary approach for implementing, controlling, and maintaining cost savings throughout an organization, including the costs of purchasing, lifecycle management, and financing. It represents the continued evolution of our original offering of *e*PlusSuite e-commerce products.

The key elements of our business and our *e*ECM solution are:

- **IT Sales:** We are an authorized reseller of leading IT hardware and software products and have technical support personnel to support sales and implementations.
- **Financial Services:** *e*Plus Financial Services offers a wide range of competitive and tailored financing options, including leases and financing for a wide variety of fixed assets.
- **eProcurement:** Procure+, our e-procurement software package, has sophisticated workflow, catalog management, and transaction management capabilities that provide customers with the tools to search, request, and acquire goods and services while instilling centralized control over enterprise purchases and processes.
- **Supplier Enablement:** Content+ is the catalog and content management software that contains over 500,000 pattern matching rules and 60,000 product classifications for content generation enabling customers to either use or provide enriched, parametrically searchable catalogs.
- **Asset Management:** Manage+ is our asset management software, which streamlines the

tracking of a customer's assets and delivers valuable business intelligence for compliance, reporting, budgeting and planning.

- **Professional Services:** We provide an array of network engineering, data storage design, and intrusion detection security management and monitoring, implementation and network imaging and maintenance services to support our customer base as part of our consolidated service offering.
- **Business Process Outsourcing:** We provide outsourced services to augment the *e*ECM solution for customers including payables processing, vendor management, contract compliance, invoice reconciliation, and document imaging.
- **Document Technology:** Our product, DigitalPaper XE (Extended Enterprise), is a document management and distribution software product that provides fast, secure web access to documents in a collaborative environment. The software allows users to access large, complex and unstructured documents such as engineering drawings, facilities diagrams, blueprints and technical manuals across an enterprise's supply chain.

The procurement software products and services, asset management, document management software, and business process outsourcing are key functions of supporting and retaining customers for our sales and finance businesses. The Company has developed and acquired these products and services to distinguish *e*Plus from its competition by providing a comprehensive offering to customers. Our primary target customers are middle-market and larger companies in the United States of America and Canada, with annual revenues between $25 million and $1 billion. We believe there are over 60,000 target customers in this market.

Our target customer has one or more of the following business characteristics that we believe qualify us as a preferred solution:

- seeks a lower cost alternative to licensing enterprise software solutions while preserving the investment in legacy IT infrastructures;
- will benefit from the cost savings and efficiency gains that can be obtained from a solution which integrates e-procurement, asset management, catalog content functionality, document management and distribution software, electronic bill presentment and payment and financing;
- prefers to retain the flexibility to negotiate prices with designated vendors or buying exchanges;
- wants to lower its total cost of ownership of fixed assets by re-designing business processes and proactively managing its fixed asset base over the life of the asset; and
- seeks a comprehensive solution for its entire supply chain from selection, requisition, purchase, settlement, ownership, financing and disposal of assets.

On May 28, 2004, ePlus purchased certain assets and assumed certain liabilities of Manchester Technologies, Inc. for total consideration of $5.2 million. The purchase was made by *e*Plus

Technology, inc., a wholly-owned subsidiary of *e*Plus inc. The acquisition will add to our IT reseller and professional services business. Approximately 125 former Manchester Technologies, Inc. personnel will be hired by ePlus as part of the transaction and are located in 3 established offices in metropolitan New York, South Florida and Baltimore.

BUSINESS SEGMENTS

See "Note 13 - SEGMENT REPORTING" in the attached consolidated financial statements. *e*Plus has two basic business segments. Our first segment is the financing business unit that consists of the equipment and financing business to both commercial and government-related entities and the associated business process outsourcing services. Our second segment is our technology sales business unit that includes all the technology sales and related services including the procurement, asset management, and catalog software sales and services.

INDUSTRY BACKGROUND

Growth of the Internet as a Communications Channel for Efficient Business-to-Business Electronic Commerce

The Internet is now a preferred channel for many business-to-business transactions for most organizations. In the intensely competitive business environment, businesses have increasingly adopted Internet-based software applications and related tools to streamline their business processes, lower costs, and make their employees more productive.

Traditional Areas of Business Process Automation

Businesses have traditionally attempted to reduce costs through the automation of internal processes. Similar efforts have been made to improve the procurement process for operating resources in which we specialize, which include information technology and telecommunications equipment, office equipment and professional services. The purchase and sale of these goods comprise a large portion of business-to-business transactions.

Many organizations continue to conduct procurement and management of operating resources through costly paper-based processes that require actions by many individuals both inside and outside the organization. Traditional processes also do not generally feature automated spending and procurement controls and, as a result, may fail to direct spending to preferred vendors and may permit spending on unapproved goods and services.

Many large companies have installed enterprise resource planning and supply chain automation systems and software to increase their procurement efficiency for operating resources. These systems are often complex and are designed for use by a relatively small number of sophisticated users. They may not provide the necessary inter-activity with the vendor. In addition, a variety of point-to-point solutions such as electronic data interchange have been developed. However, the expense and complexity associated with licensing, implementing and managing these solutions can make them unsuitable for all but the largest organizations.

Opportunity for Business-to-Business Enterprise Cost Management Solutions

We believe that an opportunity exists to provide an Internet-based Enterprise Cost Management solution either in-house or remotely hosted. Our end-to-end business process solutions integrate the procurement and management of assets with financing, fulfillment and other asset services. These solutions streamline processes within an organization and provide integrated access to third-party content, commerce and services. Our comprehensive approach also facilitates relationships with the customer's preferred vendors.

THE *e*Plus SOLUTION

Our Enterprise Cost Management framework is designed to provide an integrated suite of Internet-based business-to-business supply chain management solutions designed to improve productivity and enhance operating efficiency on a company-wide basis. *e*ECM provides customers visibility and control of transactions and owned assets and, as a suite of integrated business applications, reduces redundancies throughout their process. The *e*Plus offering currently includes Internet-based applications for the catalog content management, e-procurement, asset management, document imaging, document management and distribution, electronic bill presentment and payment and management of operating resources that can be integrated with financing and other asset services. In addition, our solution uses the Internet as a gateway between employees and third-party content, commerce and service providers. We believe our solution makes our customers' businesses more efficient, while providing better information to management.

*e*Plus allows customers to automate and customize their existing business rules and procurement processes using an Internet-based workflow tool. We offer customers a choice of Internet products on a licensed basis or as a remotely-hosted solution, which can reduce the up-front costs for customers, facilitate a quick adoption, and eliminate the need for customers to maintain and update software. We believe our solution can be implemented faster with fewer programmers or developers than many competing solutions.

STRATEGY

Our goal is to become a leading provider of Enterprise Cost Management services. The key elements of our strategy include the following:

Convert current and future customers to our services

We have an existing client base of approximately 2,000 customers, the vast majority of which are based in the United States. We believe our years of experience in developing supply chain management solutions, including financing, asset management and information technology sales and service, give us significant advantages over our competitors. Consequently, we believe we are well positioned to offer a comprehensive Enterprise Cost Management solution tailored to meet our customers' specific needs. We offer our software-based services through both a hosted version that can be obtained through a subscription fee basis or as a stand-alone product that can be licensed by the customer.

Expand our sales force and marketing activities

We currently have approximately 178 employees in our sales and marketing function, which represents a decrease compared to the previous year of 190 employees. We have expanded our presence in locations that have a high concentration of fast-growing middle and large market companies. We will continue to seek experienced sales personnel with established customer relationships and with backgrounds in hardware and software sales and supply chain management. We may also selectively acquire companies that have attractive customer relationships, skilled sales forces or have technology or services that may enhance our Enterprise Cost Management offerings.

Expand the functionality of our Internet-based solutions

We will continue to improve our Enterprise Cost Management offering to expand its functionality to serve our customers' needs. We intend to use the flexibility of our platform to offer additional products and services when economically feasible. As part of this strategy, we may also acquire technology companies to expand and enhance the platform of Enterprise Cost Management services to provide additional functionality and value added services.

DESCRIPTION OF ENTERPRISE COST MANAGEMENT

*e*ECM consists of six basic service products that have either been internally developed or have been acquired and incorporated into our total business process. The *e*ECM framework consists of Procur*e*+, Manag*e*+, *e*Plus Leasing, Content+, strategic sourcing and business process outsourcing. These combined services and software offerings are integrated so that each component links with and shares information. Procur*e*+, Manag*e*+ and Content+ are the key parts of our software solution offerings and *e*Plus Leasing, strategic sourcing and business process outsourcing are the services provided by us.

Procure+. Procur*e*+ represents our software solutions that offer Internet-based procurement capabilities that enable companies to reduce their purchasing costs while increasing their overall supply chain efficiency. Cost reductions are achieved through user-friendly application functionality designed to reduce off-contract, or unauthorized purchases, automate unnecessary manual processes, improve leverage with suppliers and provide links to a sophisticated asset information repository, Manag*e*+. Procur*e*+ is available as a stand-alone license or as a remotely-hosted solution under a subscription fee arrangement.

Procur*e*+ provides the following features and functions for the customer:

- Electronic Catalogs-combines multiple vendor catalogs including item pricing and availability information, which can be updated as required. Catalog content can be viewed in customized formats and can include detailed product information.

- Workflow and Business Rules-graphically displays complex business rules to build the internal workflow process to mirror the customer's organization. No coding or expensive programming is required at the customer level. Multiple business rules can be used, and the customer or *e*Plus can make changes. Approval thresholds and routing rules can be set by dollar amount, quantity, asset type or other criteria.

- Order Tracking-provides detailed information online about every order, including date and time stamps from requestors, approvers, purchasers, vendors and shippers enabling customers to track orders and to create detailed order audit trails.

- Order Information-contains multiple data fields which can be easily customized to provide complete information to the customer, such as accounting codes, budget costs, cost center information, notes, and shipping and billing information.

- Multiple Currency-contains the ability to handle multiple currency issues.

The key benefits of Procur*e*+ include:

- easy to use, either as an Internet-based interface that requires no software to be installed at a customer's location and limited training, or installed in-house and run on a customer's internal systems;

- easy implementation without the assistance or expense of third-party consultants as *e*Plus usually provides the configuration and implementation services;

- integration of multiple vendor catalogs and advanced search, filtering and viewing capabilities that allow the customer to control views by user groups;

- an easily configured workflow module that automates and controls each customer's existing business processes for requisition or order routing, approval and preparation;

- order status reporting throughout the requisition process as well as real-time connections to suppliers for pricing and availability and other critical information; and

- controls unauthorized purchasing and enables usage of preferred vendors for volume discounts.

Content+. Content+ provides functionality to extract, cleanse, update, and syndicate electronic catalog content and related business information. The core to Content+ is the program Common Language Generator ("CLG"), which incorporates a knowledge base of over 500,000 pattern matching rules and 60,000 product classifications to automatically cleanse and classify suppliers' product content into categories that can be easily represented and searched in online catalogs. Content+ is utilized by purchasing organizations for supplier enablement and by selling organizations for content syndication.

Content+ is a software solution for clients that require in-house functionality to aggregate, normalize, enrich and manage data.

Components of Content+ provide the following information and services to the customer:

- *Common Language Generator*-transforms unstructured and raw supplier data into a structured, enriched, and organized state for an e-commerce platform.

- C*ontent+ Maintenance*-the Content+ Maintenance Utility provides users with the ability to perform in-house catalog maintenance through a user-friendly interface that provides the ability to create, add, delete, modify data and track changes throughout a catalog.

- *Content+ Load*-imports supplier catalog files into the client's own internal catalog structure, simplifying content updates and the creation of catalogs.

- *Content+ Services and Management*-Content+ Services are designed to quickly augment the customer's content capabilities to meet their business requirements for building, loading, aggregating, publishing and syndicating data and achieve better search results with standardized, reusable product data, accurate data classifications, and highly enriched output. Most customers are provided an end-to-end content solution that is customized to fit their business requirements.

- *Catalog Hosting Services*-we also provide 24/7 operations and support with maintenance services for both content and catalogs. In addition, we can syndicate content to all formats, including XML, CSV, procurement applications, printed catalogs, and to widely used enterprise resource planning and accounting systems.

- *Aggregation Services*-our services include contacting manufacturers and suppliers to retrieve and capture all relevant product information, including descriptions, images, and drawings. We also create data sources for future updates and maintenance of product descriptions.

- *Ready-to-Go Content*-*e*Plus has developed "ready-to-go" content which consists of one million items of product content that is enriched, classified, and e-commerce enabled. The content items span 44,000 categories encompassing most everything the average business needs to buy. *e*Plus Content currently offers its services and software solutions for both the buy and sell-side electronic commerce marketplace.

Manage+. Manag*e*+ offers Internet-based asset management capabilities that are designed to provide customers with comprehensive asset information to enable them to proactively manage their fixed assets and lower the total cost of ownership of the assets. Assets procured using Procur*e*+ or from other sources including other e-procurement or enterprise resource planning systems can populate the Manag*e*+ database to provide a seamless link. Manag*e*+ is a remotely-hosted solution. Manag*e*+ provides the following information to the customer:

- Asset Information-contains descriptive information on each asset, including serial number, tracking number, purchase order number, manufacturer number, model number, vendor, category, billing code, order date, shipping date, delivery date, install date, equipment status and, if applicable, lease number, lease schedule, lease start date, lease end date, lease term, remaining term and information on any options ordered with the equipment.

- Location Information-provides asset location information including an address, building or room number, or other information required by the customer.

- Cost Center Information- supports invoicing assets to cost center or budget categories.

- Invoice Information-maintains information from the original invoice on the asset for warranty and tracking purposes.

- Financial Information-tracks all financial information on the asset, including purchase price or lease cost, software licensing costs and warranty and maintenance information.

- Customized Information-user specific information can also be maintained.

The key benefits of Manag*e*+ include:

- an easy-to-use Internet-based interface that requires no software to be installed at a customer's location and limited training;

- easy implementation without the assistance of consultants and entails no upfront license fee or ongoing maintenance or upgrade costs;

- providing the information necessary to proactively manage the fixed asset base, including property and sales tax calculations, upgrade and replacement planning, technological obsolescence and total cost of ownership calculations;

- automating invoice reconciliation to reduce errors and track vendor performance, including evaluating scheduled delivery versus actual delivery performance;

- management of warranty and maintenance information to reduce redundant maintenance fees and charges on equipment no longer in use;

- tracking of all pertinent financial, contractual, location, cost center, configuration, upgrade and usage information for each asset enabling customers to calculate the return of their investment by model, vendor, department or other factors; and

- reducing cost and assistance with application rollouts and the annual budgeting process.

ePlus Leasing. *e*Plus Leasing is our service that facilitates the lease financing of various types of products on terms previously negotiated by a customer while automating the accumulation of product data to assist in the financing process. *e*Plus Leasing allows customers to order products when desired and to aggregate a substantial number of orders onto one or more lease financing transactions at the end of a pre-determined order period (usually one to three months). Transactions can then be invoiced by location, division, or business unit, as desired by the customer.

We assist customers in structuring loans, leases, sales/leasebacks, tax-exempt financing, vendor programs, private label programs, off-balance sheet leases and federal government financing in order to meet their requirements.

Other eECM Services. Our business process outsourcing, network engineering, monitoring and maintenance and implementation service allows customers to obtain high-quality services that can be linked and consolidated with other components of our *e*ECM solution. Certain types of assets that are procured through Procur*e*+ can be configured, imaged, staged, and installed by us on the customer site. Our services assist our customers in managing their existing information technology asset base, including maintenance, network engineering, information security management, project management, training and other technology services. Our Pay+ service provides electronic invoice presentment and payment. Our DigitalPaper XE document management and distribution software is used by customers for e-sourcing, engineering change notification, manufacturing, maintenance and asset management. Having an extensive services offering provides a material distinction between *e*Plus and its competition.

IMPLEMENTATION AND CUSTOMER SERVICE

We use a project management approach to the implementation of *e*ECM solution with each new customer. Our team consists of implementation specialists, who are responsible for the customer evaluation and implementation of the solution, customer relationship managers who lead the customer's long-term support team, and the appropriate engineering staff members to provide technology services, if required, to the customer.

Our implementation of our solution is a multi-step process that requires, on average, approximately four to nine weeks and involves the following steps:

- We conduct an operational audit to understand the customer's business processes across multiple departments, existing enterprise resource planning and outsourced applications, future plans, procurement approval processes and business rules and internal control structure.

- We design a customized procurement, management and service program to fit the customer's organizational needs.

- We implement an Internet-based Enterprise Cost Management system which can include: customer workflow processes and business rules using our graphical route-builder, custom catalogs linking to chosen vendors, including *e*Plus, custom reporting and querying, and data capture parameters for the Manag*e*+ asset repository.

- We beta test the site and train the customer's personnel.

- We provide help desk, technological assistance, and remote network monitoring on a constant basis.

We provide Enterprise Cost Management as a service solution to our customers, and the ongoing support of the customer and our commitment to the highest possible customer satisfaction is fundamental to our strategy. We use a team approach to providing customer care and assign each customer to a specific team so that they are able to continue to interact with the same *e*Plus personnel who have experience and expertise with the customer's specific business processes and requirements.

TECHNOLOGY

General. Our Procur*e*+ and Manag*e*+ applications are fully standards-based, designed for the Internet and built upon an underlying architecture that is based on leading application frameworks. These frameworks provide access security, load balancing, resource pooling, message queuing, distributed transaction processing and reusable components and services.

Our applications are designed to be scalable, due to our multi-tiered architecture employing thin client, multi-threaded application servers and relational databases. Our applications are available to our customers over any standard Internet browser without the need to download applets or executables.

We use a component-based application infrastructure composed of readily configurable business rules, a workflow engine, advanced data management capabilities and an electronic cataloging system. Each of these core elements plays a crucial role in deploying enterprise-wide solutions that can capture a customer's unique policies and processes and manage key business functions.

Business Rules. Our business rules engine allows Procur*e*+ to be configured so that our customers can effectively enforce their requisition approval policies while providing flexibility so that the business rules can be edited and modified as our customer's policies change. Users of the system are presented with appropriate guidance to facilitate adherence to corporate policies. The business rules dramatically reduce reworking of procedures, track and resolve policy exceptions online and eliminate re-keying of data into back-end systems. The business rules permit management by exception, in which items requiring managerial attention are automatically routed.

Workflow Engine. Our workflow engine allows information to flow through the customer organization in a timely, secure and efficient manner. For example, in addition to incorporating policy-based business rules, it incorporates time-based standards to reroute purchase requisitions if the original recipient does not respond within the allocated performance time frame. Our application also provides e-mail notification to users of the status of a procedure or of events requiring attention, alteration and action, such as notifying the creator of a purchase requisition of its location in the purchasing cycle or notifying a manager of a requisition requiring attention.

Content Management. Our electronic catalog allows multiple vendor information to be linked to customized customer catalogs. Information can be updated when required by the customer.

Asset Management. Manag*e*+ is based upon an RDBMS (relational database management system) that is designed to be scalable and can be easily customized to provide customer-specific fields and data elements.

Our Enterprise Cost Management product can be integrated with external systems such as enterprise resource planning systems, financial management systems, human resource systems (for user information and organizational structure) and project accounting systems. These interfaces allow for the exchange of data between systems. These integration processes can be scheduled according to the needs of our customers' information services and finance departments.

System Security. Our design allows for multiple layers of security through the use of defined users and roles, secured logins, digital certificates and encryption. We currently use security software to protect our internal network systems from unauthorized access. Our firewall is a comprehensive security suite providing access control, authentication, network address translation, auditing and state table synchronization.

RESEARCH AND DEVELOPMENT

Our software has been acquired from third-party vendors or has been developed by us. In earlier stages of our *e*ECM development, we relied heavily on licensed software and outsourced development, but with the acquisition of the software products and the hiring of the employees obtained from the acquisition of ProcureNet, Inc. on May 15, 2001 and Digital Paper Corporation on October 10, 2003, much of our current software development is handled within the company. We have also outsourced certain programming tasks to a highly specialized offshore development company. We market both software that we own and software for which we have obtained the perpetual license rights and source code from a third party. Subject to certain exceptions, we generally retain the source code and intellectual property rights of the customized software.

To successfully implement our business strategy, we are providing both a hosted and stand-alone software functionality and related services that meet the demands of our customers and prospective customers. We expect that competitive factors will create a continuing need for us to improve and add to our Enterprise Cost Management offering. The addition of new products and services will also require that we continue to improve the technology underlying our applications. We intend to maintain our competitive advantage by focusing our current resources in maintaining our state-of-the-art programs.

SALES AND MARKETING

We focus our marketing efforts on achieving lead generation and converting our existing customer base to our *e*ECM solution. The target market for our customer base is primarily middle and large market companies with annual revenues between $25 million and $1 billion. We believe there are over 60,000 potential customers in our target market. Our sales representatives are compensated based on primarily a commission basis and we typically market to the senior financial officer or the senior information officer in an organization. To date, the majority of our customers have been generated from direct sales.

Our sales force is organized regionally in 33 office locations throughout the United States. See "Item 2. PROPERTIES" for additional office location information. As of March 31, 2004 our sales organization included approximately 178 sales and sales support personnel.

INTELLECTUAL PROPERTY RIGHTS

Our success depends in part upon proprietary business methodologies and technologies that we have licensed and modified. We own certain software programs or have entered into software licensing agreements in connection with the development of our Enterprise Cost Management offering. We rely on a combination of copyright, trademark, service mark, and trade secret protection, confidentiality and nondisclosure agreements and licensing arrangements to establish and protect intellectual property rights. We seek to protect our software, documentation and other written materials under trade secret and copyright laws, which afford only limited protection.

We have two US patents that cover different aspects of electronic sourcing. We have a patent in nine European countries covering the same subject matter. We also have a patent in the US and an allowed patent in China useful for the presentation of documents in document management technology. We cannot provide any assurance that any patents, as issued, will prevent the development of competitive products or that our patents will not be successfully challenged by others or invalidated through administrative process or litigation. We also have the following registered service/trademarks: *e*Plus, *e*PlusSuite, Procur*e*+, Manag*e*+, Servic*e*+, Financ*e*+, ePlus Leasing, International Computer Networks, Docpak, Simply Faster, Viewmark, and Digital Paper. We have applied for the following trademarks: OneSource, Content+, *e*ECM, and *e*Plus Enterprise Cost Management. We also have twenty-one registered copyrights and have additional common law trademark and copyright rights.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult, and while we are unable to determine the extent to which piracy of our software products exists, software piracy can be expected to be a persistent problem. Our means of protecting our proprietary rights may not be adequate and our competitors may independently develop similar technology, duplicate our products or design around our proprietary intellectual property.

FINANCING AND SALES ACTIVITIES

We have been in the business of selling, leasing, financing, providing procurement, document management and asset management software and managing information technology and various other assets for over ten years and currently derive the majority of our revenues from such activities. We believe we can develop formal contractual arrangements with our current as well as new financing sources to provide equipment financing and leasing for our customers.

Leasing and Financing. Our leasing and financing transactions generally fall into two categories: direct financing and operating leases. Direct financing transfers substantially all of the benefits and risks of equipment ownership to the customer. Operating leases consist of all other leases that do not meet the criteria to be direct financing or sales-type leases. Our lease transactions include true leases and installment sales or conditional sales contracts with corporations, nonprofit entities and municipal and federal government contracts. Substantially all of our lease transactions are net leases with a specified non-cancelable lease term. These non-cancelable leases have a provision which requires the lessee to make all lease payments without offset or counterclaim. A net lease requires the lessee to make the full lease payment and pay any other expenses associated with the use of equipment, such as maintenance, casualty and liability insurance, sales or use taxes and personal property taxes. We primarily lease computers, associated accessories and software, communication related equipment, medical equipment, industrial related machinery and equipment, office furniture and general office equipment, transportation equipment, and other various business related equipment.

In anticipation of the expiration of the initial term of a lease, we initiate the remarketing process for the related equipment. Our goal is to maximize revenues on the remarketing effort by either: (1) releasing or selling the equipment to the initial lessee; (2) renting the equipment to the initial lessee on a month-to-month basis; (3) selling or leasing the equipment to a different customer; or (4) selling the equipment to equipment brokers or dealers. The remarketing process is intended to enable us to recover or exceed the residual value of the leased equipment. Any amounts received over the estimated residual value less any commission expenses become profit margin to us and can significantly impact the degree of profitability of a lease transaction.

We aggressively manage the remarketing process of our leases to maximize the residual values of our leased equipment portfolio. To date, we have realized a premium over our original recorded residual assumption or the net book value.

Sales. We have been providing technology sales and services since 1997. We are an authorized reseller or have the right to resell products and services from over 150 manufacturers and distributors. Our largest vendor relationships include Tech Data, HP, Dell Computer Corporation, Microsoft Corporation, Ingram Micro, Inc., and IBM. We have in excess of 150 vendor authorizations to market specific products. Our flexible platform and customizable catalogs facilitate the addition of new vendors with little incremental effort. Using the distribution systems available, we usually sell products that are shipped from the distributors or suppliers directly to our customer location that allows us to keep our inventory of any product to a minimum. The products we sell typically have payment account terms ranging from due upon delivery up to 60 days to pay depending on the customer's credit and payment requirements.

Financing and Bank Relationships. We have a number of bank and finance company relationships that we use to provide working capital for all of our businesses and long-term financing for our lease financing businesses. Our finance department is responsible for maintaining and developing relationships with a diversified pool of commercial banks and finance companies with varying terms and conditions. See “Item 7, Management’s Discussion and Analysis of Results of Operations, Financial Condition, Liquidity and Capital Resources.”

Risk Management and Process Controls. It is our goal to minimize the financial risks of our balance sheet assets. To accomplish this goal, we use and maintain conservative underwriting policies and disciplined credit approval processes. We also have internal control processes, including contract origination and management, cash management, servicing, collections, remarketing and accounting. Whenever possible and financially prudent, we use non-recourse financing (which is limited to the underlying equipment and the specific lessee and not the Company's general assets) for our leasing transactions and we try to obtain lender commitments before acquiring the related assets. We estimate that there are over 40 non-recourse financing sources available that we could use for supplying non-recourse financing.

When desirable, we manage our risk in assets by selling leased assets, including the residual portion of leases, to third parties rather than owning them. We try to obtain commitments for these asset sales before asset origination in a financing transaction. We also use agency purchase orders to procure equipment for lease to our customers as an agent, not a principal, and otherwise take measures to minimize our inventory. Additionally, we use fixed-rate funding and issue proposals that adjust for material adverse interest rate movements as well as material adverse changes to the financial condition of the customer.

We have an executive management review process and other internal controls in place to protect against entering into lease transactions that may have undesirable financial terms or unacceptable levels of risk. Our lease and sale contracts are reviewed by senior management for pricing, structure, documentation, and credit quality. Due in part to our strategy of focusing on a few types of equipment categories, we have product knowledge, historical re-marketing information and experience on the items that we lease, sell and service. We rely on our experience or outside opinions in the process of setting and adjusting our sale prices, lease rate factors and the residual values.

Default and Loss Experience. During the fiscal year ended March 31, 2004, we provided for $46,663 in credit losses and incurred actual credit losses of $14,012. During the fiscal year ended March 31, 2003 we provided for $616,074 in credit losses and incurred actual credit losses of $494,247.

COMPETITION

The market for leasing, IT sales and services and software services is intensely competitive, subject to economic conditions, rapid change and significantly affected by new product introductions and other market activities of industry participants. We expect to continue to compete in all areas of business against local, regional and national firms. We compete directly with various leasing companies and bank leasing subsidiaries as well as captive finance companies. Many of these competitors are well established, have substantially greater financial, marketing, technical, and sales support than we do, and have established reputations for success in the purchase, sale and lease of computer-related products. In addition, many computer manufacturers may sell or lease directly to our customers, and our continued ability to compete effectively may be affected by the policies of such manufacturers.

The procurement software and electronic commerce market is in a constant state of change due to overall market acceptance and economic conditions. There are a number of companies developing and marketing business-to-business electronic commerce solutions targeted at specific vertical markets. Other competitors are also attempting to migrate their technologies to an Internet-enabled platform. Some of these competitors and potential competitors include enterprise resource planning system vendors and other major software vendors which are expected to sell their procurement and asset management products along with their application suites. These enterprise resource planning vendors have a significant installed customer base and have the opportunity to offer additional products to those customers as additional components of their respective application suites. We also face indirect competition from potential customers' internal development efforts and have to overcome potential customers' reluctance to move away from existing legacy systems and processes.

We believe that the principal competitive factors for business-to-business electronic commerce solutions are scalability, functionality, ease-of-use, ease-of-implementation, ability to integrate with existing legacy systems, experience in business-to-business supply chain management and knowledge of a business' asset management needs. We believe we can compete favorably with our competitors in these areas within our framework of *e*ECM that consists of Procur*e*+, Manag*e*+, Content+, *e*Plus Leasing, strategic sourcing, document management software and business process outsourcing.

EMPLOYEES

As of March 31, 2004, we employed 513 full-time and part-time employees who operated through approximately 33 office locations, including our principal executive offices and regional sales offices. No employees are represented by a labor union and we believe our relationships with our employees are good. The functional areas of our employees are as follows:

	Number of Employees
Sales and Marketing	178
Technical Support	119
Administrative	143
Software and Implementations	66
Executive	7

U.S. SECURITIES AND EXCHANGE COMMISSION ("SEC") REPORTS

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and all amendments to those reports, filed with or furnished to the U.S. Securities and Exchange Commission are available free of charge through the Company's internet website, www.eplus.com, as soon as reasonably practical after the Company has electronically filed such material with, or furnished it to, the SEC.

RISK FACTORS

The Limited Operating History Of Our e-commerce Related Products And Services Makes It Difficult To Evaluate Our Business And Our Prospects

Our *e*ECM solution has had a limited operating history. Although we have been in the business of financing and selling information technology equipment since 1990, we will encounter some of the challenges, risks, difficulties and uncertainties frequently encountered by early-stage companies using new business models in evolving markets. Some of these challenges relate to our ability to:

- increase the total number of users of our Enterprise Cost Management services;
- adapt to meet changes in our markets and competitive developments;
- hire sufficient personnel to accommodate the expected growth in our customer base; and
- continue to update our technology to enhance the features and functionality of our suite of products.

We cannot be certain that our business strategy will be successful or that we will successfully address these and other challenges, risks and uncertainties.

The Electronic Commerce Business-To-Business Solutions Market Is Highly Competitive And We Cannot Assure That We Will Be Able To Effectively Compete

The market for Internet-based, business-to-business electronic commerce solutions is extremely competitive. We expect competition to intensify as current competitors expand their product offerings and new competitors enter the market. We cannot assure you that we will be able to compete successfully against current or future competitors, or that competitive pressures faced by us will not harm our business, operating results or financial condition. In addition, the market for electronic procurement solutions is relatively new and evolving. Our strategy of providing an Internet-based electronic commerce solution may not be successful, or we may not execute it effectively. Accordingly, our solution may not be widely adopted by businesses.

Because there are relatively low barriers to entry in the electronic commerce market, competition from other established and emerging companies may develop in the future. Increased competition is likely to result in reduced margins, longer sales cycles and loss of market share, any of which could materially harm our business, operating results or financial condition. The business-to-business electronic commerce solutions offered by our competitors now or in the future may be perceived by buyers and suppliers as superior to ours. Many of our competitors have, and potential competitors may have, more experience developing Internet-based software and end-to-end purchasing solutions, larger technical staffs, larger customer bases, greater brand recognition and greater financial, marketing and other resources than we do. In addition, competitors may be able to develop products and services that are superior to our products and services, that achieve greater customer acceptance or that have significantly improved functionality as compared to our existing and future products and services.

If Our Products Contain Defects, Our Business Could Suffer

Products as complex as those used to provide our electronic commerce solutions often contain known and undetected errors or performance problems. Many serious defects are frequently found during the period immediately following introduction of new products or enhancements to existing products. Although we attempt to resolve all errors that we believe would be considered serious by our customers, our products are not error-free. Undetected errors or performance problems may not be discovered in the future and errors considered by us to be minor may be considered serious by our customers. This could result in lost revenues, delays in customer acceptance or unforeseen liability that would be detrimental to our reputation and to our business.

We May Not Be Able To Hire And Retain Sufficient Sales, Marketing And Technical Personnel That We Need To Succeed

To increase market awareness and sales of our offerings, we may need to expand our sales operations and marketing efforts in the future. Our products and services require a sophisticated sales effort and significant technical support. Competition for qualified sales, marketing and technical personnel fluctuates depending on market conditions and we might not be able to hire or retain sufficient numbers of such personnel to grow our business.

If We Are Unable To Protect Our Intellectual Property, Our Business Will Suffer

The success of our business strategy depends, in part, upon proprietary technology and other intellectual property rights. To date, we have relied primarily on a combination of copyright, trade secret and service mark laws and contractual provisions with our subcontractors to protect our proprietary technology. It may be possible for unauthorized third parties to copy certain portions of our products or reverse engineer or obtain and use information that we regard as proprietary. Some of our agreements with our customers and technology licensors contain residual clauses regarding confidentiality and the rights of third parties to obtain the source code for our products. These provisions may limit our ability to protect our intellectual property rights in the future that could seriously harm our business, operating results and financial condition. We cannot assure you that our means of protecting our intellectual property rights will be adequate. If any of these events happen, our business, operating results and financial condition could be harmed.

We Face Risks Of Claims From Third Parties For Intellectual Property Infringement That Could Harm Our Business

Although we believe that our intellectual property rights are sufficient to allow us to market our existing products without incurring liability to third parties, we cannot assure you that our products and services do not infringe on the intellectual property rights of third parties.

In addition, because patent applications in the United States are not publicly disclosed until the patent is issued, we may not be aware of applications that have been filed which relate to our products or processes. We could incur substantial costs in defending ourselves and our customers against infringement claims. In the event of a claim of infringement, we and our customers may be required to obtain one or more licenses from third parties. We cannot assure you that such licenses could be obtained from third parties at a reasonable cost or at all. Defense of any lawsuit or failure to obtain any such required license could harm our business, operating results and financial condition. In addition, in certain instances, third parties licensing software to us have refused to indemnify us for possible infringement claims.

If We Publish Inaccurate Catalog Content Data, Our Business Could Suffer

Any defects or errors in catalog content data could harm our customers or deter businesses from participating in our offering, damage our business reputation, harm our ability to attract new customers and potentially expose us to legal liability. In addition, from time to time some participants in Enterprise Cost Management services could submit to us inaccurate pricing or other catalog data. Even though such inaccuracies are not caused by our work and are not within our control, such inaccuracies could deter current and potential customers from using our products and could harm our business, operating results and financial condition.

We Depend On Having Creditworthy Customers

Our leasing and technology sales business requires sufficient amounts of debt and equity capital to fund our equipment purchases. If the credit quality of our customer base materially decreases, or if we experience a material increase in our credit losses, we may find it difficult to continue to obtain the capital we require and our business, operating results and financial condition may be harmed. In addition to the impact on our ability to attract capital, a material increase in our delinquency and default experience would itself have a material adverse effect on our business, operating results and financial condition.

We May Not Be Able To Realize Our Entire Investment In The Equipment We Lease

We lease various types of equipment to customers through two distinct types of transactions: capital leases and operating leases. A capital lease passes substantially all of the risks and rewards of owning the related equipment to the customer. Lease payments during the initial term of a capital lease cover approximately 90% of the underlying equipment's cost at the inception of the lease. The duration of an operating lease, however, is shorter relative to the equipment's useful life. We bear a slightly greater risk in operating leases in that we may not be able to remarket the equipment on terms that will allow us to fully recover our investment.

At the inception of each lease, we estimate the fair market value of the item as a residual value for the leased equipment based on the terms of the lease contract. A decrease in the market value of such equipment at a rate greater than the rate we expected, whether due to rapid technological obsolescence or other factors, would adversely affect the residual values of such equipment. Any such loss, which is considered by management to be permanent in nature, would be recognized in the period of impairment in accordance with Statement of Financial Accounting Standard No. 13, "Accounting for Leases." Consequently, there can be no assurance that our estimated residual values for equipment will be realized. Our lease portfolio has recently expanded to new types of equipment under lease of which we may not experience the same residual realization economics.

We May Not Reserve Adequately For Our Credit Losses

We maintain a consolidated reserve for credit losses on finance receivables. Our consolidated reserve for credit losses reflects management's judgment of the loss potential. Our management bases its judgment on the nature and financial characteristics of our obligors, general economic conditions and our charge-off experience. It also considers delinquency rates and the value of the collateral underlying the finance receivables.

We cannot be certain that our consolidated reserve for credit losses will be adequate over time to cover credit losses in our portfolio because of unanticipated adverse changes in the economy or events adversely affecting specific customers, industries or markets. If our reserves for credit losses are not adequate, our business, operating results and financial condition may suffer.

Our Earnings May Fluctuate

Our earnings are susceptible to fluctuations for a number of reasons, including the seasonal and cyclical nature of our customers' procurement patterns. Our earnings will continue to be affected by fluctuations in our historical business, such as lower sales of equipment, increased direct marketing by manufacturers rather than through distributors, reductions in realized residual values, fluctuations in interest rates, and lower overall leasing activity. In the event our revenues or earnings are less than the level expected by the market in general, such shortfall could have an immediate and significant adverse impact on our common stock's market price.

We Are Dependent Upon Our Current Management Team

Our operations and future success depend on the efforts, abilities and relationships of our Chairman, Chief Executive Officer and President, Phillip G. Norton; our founder and Executive Vice President, Bruce M. Bowen, who also serves as a director; Steven J. Mencarini, Senior Vice President and Chief Financial Officer; and Kleyton L. Parkhurst, Senior Vice President and Treasurer. The loss of any of these key management officers or personnel could have a material adverse effect on our business, operating results and financial condition. Each of these officers has an employment agreement with us. We also maintain key-man life insurance on Mr. Norton.

ITEM 2. PROPERTIES

The Company operates from 33 office locations. Our total leased square footage is approximately 110,674 square feet for which we pay rent of approximately $151,000 per month. Some of our companies operate in shared office space to improve sales, marketing and cost efficiency. We do not own any real estate. Some sales and technical service personnel operate from either residential offices or space that is provided for by another entity or are located on a customer site. The following table identifies our largest locations, the number of current employees as of March 31, 2004, the square footage and the general office functions.

Location	Company	Employees	Square Footage	Function
Herndon, VA (2 locations)	*e*Plus Group, inc. *e*Plus Technology, inc. *e*Plus Government, inc. *e*Plus Document Systems, inc.	221	36,533	Corporate and subsidiary headquarters, sales office, technical support and warehouse

Robbinsville, NJ	*e*Plus Technology, inc.	30	9,563	Sales office and technical support
Pottstown, PA (2 locations)	*e*Plus Technology, inc.	42	13,653	Sales office, technical support and warehouse
Sunnyvale, CA	*e*Plus Technology, inc.	31	11,200	Sales office, technical support and warehouse
Wilmington, NC	*e*Plus Technology, inc.	27	6,068	Sales office and technical support
Raleigh, NC	*e*Plus Group, inc. *e*Plus Technology, inc.	22	8,638	Sales office-shared and technical support
Avon, CT	*e*Plus Systems, inc.	16	4,807	Subsidiary headquarters, sales office and technical development
Houston, TX	*e*Plus Content Services, inc.	26	4,000	Subsidiary headquarters, sales office and e-commerce catalog service center
Canton, MA	ePlus Technology, inc.	25	6,228	Sales office and technical support
Other locations		73	9,984	Sales offices and technical support

The two largest locations, Herndon, VA and Pottstown, PA, have lease expiration dates of November 30, 2004 and May 31, 2005, respectively. The Pottstown location has been extended at similar terms and conditions.

ITEM 3. LEGAL PROCEEDINGS

On May 26, 2004 the Company filed a complaint against Ariba, Inc. in the United States District Court for the Eastern District of Virginia. The complaint alleges that Ariba, Inc. used or sold products, methods, processes, services and/or systems that infringe on certain of the Company's patents. The Company is seeking injunctive relief and an unspecified amount of monetary damages.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER'S PURCHASES OF EQUITY SERCURITIES

MARKET INFORMATION

Our common stock is quoted on the NASDAQ National Market System under the symbol "PLUS." The following table sets forth the range of high and low sale prices for our common stock as quoted on the NASDAQ for the period April 1, 2002 through March 31, 2004, by quarter.

Quarter Ended	High	Low
March 31, 2002	$ 9.79	$ 8.62
June 30, 2002	$ 10.35	$ 6.91
September 30, 2002	$ 8.00	$ 5.57
December 31, 2002	$ 7.90	$ 6.04
March 31, 2003	$ 7.70	$ 6.91
June 30, 2003	$ 10.99	$ 7.13
September 30, 2003	$ 16.06	$ 10.47
December 31, 2003	$ 16.17	$ 10.55
March 31, 2004	$ 15.49	$ 12.18

On June 7, 2004 the closing price of the common stock was $11.44 per share. On June 7, 2004 there were 197 shareholders of record of our common stock. We believe there are over 400 beneficial holders of the Company's common stock.

DIVIDENDS

The Company has never paid a cash dividend to stockholders. We have retained our earnings for use in the business. There is also a contractual restriction in our ability to pay dividends. Our National City Bank credit facility restricts dividends to 50% of net income accumulated after September 30, 2000. Therefore, the payment of cash dividends on our common stock is unlikely in the foreseeable future. Any future determination concerning the payment of dividends will depend upon the elimination of this restriction and the absence of similar restrictions in other agreements, our financial condition, results of operations and any other factors deemed relevant by our Board of Directors.

PURCHASES OF OUR COMMON STOCK

The following table provides information regarding our purchases of ePlus inc. Common Stock during the quarter ended March 31, 2004:

Period	Total number of shares purchased (1)	Average price per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 1, 2004 through January 31, 2004	187,500	$14.06	187,500	198,880(2)
February 1, 2004 through February 29, 2004	83,500	$13.69	83,500	120,745(3)
March 1, 2004 through March 31, 2004	90,500	$13.60	90,500	30,872(4)
Total	361,500	$13.86	361,500	30,872

(1) All shares acquired were in open-market purchases.

(2) The share purchase authorization in place during the quarter ended March 31, 2004 has purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($7,500,000). As of January 31, 2004, the remaining authorized dollar amount to purchase shares was $2,795,259 and, based on January's average price per share paid, 198,880 represents the maximum number of shares that may yet be purchased.

(3) The share purchase authorization in place during the quarter ended March 31, 2004 has purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($7,500,000). As of February 29, 2004, the remaining authorized dollar amount to purchase shares was $1,652,004 and, based on February's average price per share paid, 120,745 represents the maximum number of shares that may yet be purchased.

(4) The share purchase authorization in place during the quarter ended March 31, 2004 has purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($7,500,000). As of March 31, 2004, the remaining authorized dollar amount to purchase shares was $421,646 and, based on March's average price per share paid, 30,872 represents the maximum number of shares that may yet be purchased.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information about *e*Plus' common stock that may be issued upon the exercise of options, warrants, and rights under all of *e*Plus' existing equity compensation plans as of March 31, 2004, including *e*Plus' 1998 Long Term Incentive Plan, Amended and Restated Incentive Stock Option Plan, Amended and Restated Outside Director Stock Option Plan, Amended and Restated Nonqualified Stock Option Plan, and the Employee Stock Purchase Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	1,786,232	$9.24	756,591
Equity compensation plans not approved by security holders	-	-	-
Total	1,786,232	$9.24	756,591

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with the Consolidated Financial Statements of the Company and related Notes thereto and the information included under "ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS, FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES - AS OF AND FOR THE YEARS ENDED MARCH 31, 2002, 2003 AND 2004" and "ITEM 1. BUSINESS."

ePLUS, INC. AND SUBSIDIARIES SELECTED CONSOLIDATED FINANCIAL DATA
(Dollar amounts in thousands, except per share data)

	Year Ended March 31,				
	2000	**2001**	**2002**	**2003**	**2004**
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenues:					
Sales of product	$ 170,149	$ 219,795	$ 133,008	$ 228,770	$ 267,899
Sales of leased equipment	57,360	34,031	9,353	6,096	-
Lease revenues	31,374	42,694	48,850	50,520	51,254
Fee and other income	5,850	10,066	13,774	14,260	11,405
Total revenues	264,733	306,586	204,985	299,646	330,558
Costs and Expenses:					
Cost of sales, product	148,721	184,302	114,554	201,277	236,283
Cost of sales of leased equipment	55,454	33,329	9,044	5,892	-
Direct lease costs	8,025	16,535	9,579	6,582	10,561
Professional and other costs	2,126	3,363	2,718	3,188	3,701
Salaries and benefits	17,780	29,042	30,165	43,428	41,325
General and administrative expenses	6,987	10,507	12,193	14,499	14,631
Interest and financing costs	11,390	15,523	11,810	8,308	6,847
Total costs and expenses	250,483	292,601	190,063	283,174	313,348
Earnings before provision for income taxes	14,250	13,985	14,922	16,472	17,210
Provision for income taxes	5,875	5,667	6,010	6,760	7,056
Net earnings	$ 8,375	$ 8,318	$ 8,912	$ 9,712	$ 10,154
Net earnings per common share - Basic	$ 1.09	$ 0.86	$ 0.87	$ 0.97	$ 1.09
Net earnings per common share - Diluted	$ 0.91	$ 0.80	$ 0.85	$ 0.96	$ 1.02
Weighted average shares outstanding - Basic	7,698,287	9,625,891	10,235,129	10,061,088	9,332,324
Weighted average shares outstanding - Diluted	9,115,056	10,383,467	10,458,235	10,109,809	9,976,458

ePLUS, INC. AND SUBSIDIARIES SELECTED CONSOLIDATED FINANCIAL DATA
(Dollar amounts in thousands)

	As of March 31,				
	2000	**2001**	**2002**	**2003**	**2004**
CONSOLIDATED BALANCE SHEETS					
Assets:					
Cash and cash equivalents	$ 21,910	$ 24,534	$ 28,224	$ 27,784	$ 25,155
Accounts receivable	60,167	57,627	41,397	38,385	51,189
Notes receivable	1,195	1,862	228	53	52
Inventories	2,445	2,651	872	1,373	900
Investment in leases and leased equipment, net	231,999	202,846	169,087	182,169	186,667
Other assets	27,619	21,347	39,188	29,177	30,239
Total assets	$ 345,335	$ 310,867	$ 278,996	$ 278,941	$ 294,202
Liabilities:					
Accounts payable - equipment	$ 22,976	$ 9,227	$ 3,899	$ 5,636	$ 9,993
Accounts payable - trade	28,881	17,764	14,223	25,914	32,141
Salaries and commissions payable	957	1,293	492	620	584
Recourse notes payable	39,588	8,876	4,660	2,736	6
Nonrecourse notes payable	182,845	159,122	129,977	116,255	117,857
Other liabilities	12,967	22,678	19,456	18,163	22,037
Total liabilities	288,214	218,960	172,707	169,324	182,618
Stockholders' equity	57,121	91,907	106,289	109,617	111,584
Total liabilities and stockholders' equity	$ 345,335	$ 310,867	$ 278,996	$ 278,941	$ 294,202

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS, FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES - AS OF AND FOR THE YEARS ENDED MARCH 31, 2002, 2003 AND 2004

The following discussion and analysis of results of operations and financial condition of the Company should be read in conjunction with the Consolidated Financial Statements and the related Notes included elsewhere in this report.

Our results of operations are susceptible to fluctuations for a number of reasons, including, without limitation, customer demand for our products and services, supplier costs, interest rate fluctuations and differences between estimated residual values and actual amounts realized related to the equipment we lease. Operating results could also fluctuate as a result of the sale of equipment in our lease portfolio prior to the expiration of the lease term to the lessee or to a third party. Such sales of leased equipment prior to the expiration of the lease term may have the effect of increasing revenues and net earnings during the period in which the sale occurs, and reducing revenues and net earnings otherwise expected in subsequent periods.

We currently derive the majority of our revenue from sales and financing of information technology and other assets. We have expanded our product and service offerings under our *e*Plus Enterprise Cost Management model which represents the continued evolution of our original implementation of *e*Plus e-commerce products entitled *e*PlusSuite. The expansion to our *e*ECM model is a framework that combines our IT sales and professional services, leasing and financing services, asset management software and services, procurement software, and electronic catalog content management software and services.

We expect to expand or open new sales locations and hire additional staff for specific targeted market areas in the near future whenever we can find both experienced personnel and qualified geographic areas.

On May 15, 2001, we acquired from ProcureNet, Inc. the e-commerce procurement software asset products and software technology for cleaning and categorizing product descriptions for e-commerce catalogues. These products and services and associated expenses with this business acquisition have substantially increased our expenses and the ability to sell these services and products is expected to fluctuate depending on the customer demand for these products and services, which to date is still unproven. These products and services are included in our technology sales unit business segment combined with our other sales of IT products and services. Our leasing and financing activities are included in our financing business unit segment in our financial statements.

As a result of our acquisitions and expansion of sales locations, the Company's historical results of operations and financial position may not be indicative of its future performance over time.

CRITICAL ACCOUNTING POLICIES

The manner in which lease finance transactions are characterized and reported for accounting purposes has a major impact upon reported revenue and net earnings. Lease accounting methods critical to our business are discussed below.

We classify our lease transactions, as required by Statement of Financial Accounting Standards (SFAS) No. 13, "Accounting for Leases," as: (1) direct financing; (2) sales-type; or (3) operating leases. Revenues and expenses between accounting periods for each lease term will vary depending upon the lease classification.

For financial statement purposes, we present revenue from all three classifications in lease revenues, and costs related to these leases in direct lease costs.

DIRECT FINANCING AND SALES-TYPE LEASES. Direct financing and sales-type leases transfer substantially all benefits and risks of equipment ownership to the customer. A lease is a direct financing or sales-type lease if the creditworthiness of the customer and the collectability of lease payments are reasonably certain and it meets one of the following criteria: (1) the lease transfers ownership of the equipment to the customer by the end of the lease term; (2) the lease contains a bargain purchase option; (3) the lease term at inception is at least 75% of the estimated economic life of the leased equipment; or (4) the present value of the minimum lease payments is at least 90% of the fair market value of the leased equipment at the inception of the lease.

Direct financing leases are recorded as investment in direct financing leases upon acceptance of the equipment by the customer. At the commencement of the lease, unearned lease income is recorded which represents the amount by which the gross lease payments receivable plus the estimated residual value of the equipment exceeds the equipment cost. Unearned lease income is recognized, using the interest method, as lease revenue over the lease term.

Sales-type leases include a dealer profit or loss that is recorded by the lessor at the inception of the lease. The equipment subject to such leases may be obtained in the secondary marketplace or is the result of re-leasing our own portfolio. For equipment supplied from our technology sales business unit subsidiaries, the dealer margin is presented in equipment sales revenue. Interest earned on the present value of the lease payments and residual value is recognized over the lease term using the interest method and is included in our lease revenues.

OPERATING LEASES. All leases that do not meet the criteria to be classified as direct financing or sales-type leases are accounted for as operating leases. Rental amounts are accrued on a straight-line basis over the lease term and are recognized as lease revenue. Our cost of the leased equipment is recorded on the balance sheet as investment in leases and leased equipment and is depreciated on a straight-line basis over the lease term to our estimate of residual value. Revenue, depreciation expense and the resulting profit for operating leases are recorded on a straight-line basis over the life of the lease.

Lease revenues consist of rentals due under operating leases and amortization of unearned income on direct financing and sales-type leases. Equipment under operating leases is recorded at cost and depreciated on a straight-line basis over the lease term to the Company's estimate of residual value. For lease periods subsequent to the initial term, revenue is recognized upon receipt of payment by the lessees since collection of such amounts is not reasonably assured. Such revenues recognized were $12,697,838, $10,773,157, and $6,904,763 for the years ended on March 31, 2002, 2003, and 2004, respectively.

As a result of these three classifications of leases for accounting purposes, the revenues resulting from the "mix" of lease classifications during an accounting period will affect the profit margin percentage for such period and such profit margin percentage generally increases as revenues from direct financing and sales-type leases increase. Should a lease be financed, the interest expense declines over the term of the financing as the principal is reduced.

RESIDUAL VALUES. Residual values represent our estimated value of the equipment at the end of the initial lease term. The residual values for direct financing and sales-type leases are reported as part of the investment in direct financing and sales-type leases, on a net present value basis. The residual values for operating leases are included in the leased equipment's net book value and are reported in the investment in operating lease equipment. The estimated residual values will vary, both in amount and as a percentage of the original equipment cost, and depend upon several factors, including the equipment type, manufacturer's discount, market conditions and the term of the lease.

We evaluate residual values on an ongoing basis and record any required changes in accordance with SFAS No. 13. Residual values are affected by equipment supply and demand and by new product announcements by manufacturers. In accordance with accounting principles generally accepted in the United States of America, residual value estimates are adjusted downward when such assets are impaired.

We seek to realize the estimated residual value at lease termination through: (1) renewal or extension of the original lease; (2) sale of the equipment either to the lessee or on the secondary market; or (3) lease of the equipment to a new customer. The difference between the proceeds of a sale and the remaining estimated residual value is recorded as a gain or loss in lease revenues when title is transferred to the lessee, or, if the equipment is sold on the secondary market, in equipment sales revenues and cost of equipment sales when title is transferred to the buyer. For lease transactions subsequent to the initial lease term, our policy is to recognize revenues upon the payment by the lessee, as collectibility is not reasonably assured.

INITIAL DIRECT COSTS. Initial direct costs related to the successful origination of direct financing or operating leases are capitalized and recorded as part of the net investment in direct financing leases, or net operating lease equipment, and are amortized over the lease term.

SALES OF PRODUCT. Sales of product include the following types of transactions: (1) sales of new or used equipment which is not subject to any type of lease; (2) service revenue in our technology sales business unit; (3) sales of off-lease equipment to the secondary market; and (4) sales of third-party software. Sales of new or used equipment are recognized upon shipment and sales of off-lease equipment are recognized when constructive title passes to the purchaser. Service revenue is recognized as the related services are rendered.

SOFTWARE SALES AND RELATED COSTS. Revenue from sales of procurement software is recognized in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 97-2, "Software Revenue Recognition", as amended by SOP 98-4, "Deferral of the Effective Date of a Provision of SOP 97-2," and SOP 98-9, "Modification of SOP 97-2 With Respect to Certain Transactions." We recognize revenue when all the following criteria exist: when there is persuasive evidence that an arrangement exists, delivery has occurred, no significant obligations by the Company with regard to implementation remain, the sales price is determinable, and it is probable that collection will occur. Our accounting policy requires that revenue earned and related costs incurred on software arrangements involving multiple elements be allocated to each element on the relative fair values of the elements and recognized when earned. Revenue related to maintenance and support is recognized ratably over the maintenance term (usually one year) and revenue allocated to training, implementation or other services is recognized as the services are performed. These revenues are included in fee and other income on our consolidated statement of earnings.

SALES OF LEASED EQUIPMENT. Sales of leased equipment consist of sales of equipment subject to an existing lease, under which we are lessor, including any underlying financing related to the lease. Sales of equipment subject to an existing lease are recognized when constructive title passes to the purchaser.

OTHER SOURCES OF REVENUE. Amounts charged for Procur*e*+, our e-procurement software package, are recognized as services are rendered. Amounts charged for the Manag*e*+, our asset management software service, are recognized on a straight-line basis over the period the services are provided. Fee and other income results from: (1) income from events that occur after the initial sale of a financial asset; (2) re-marketing fees; (3) brokerage fees earned for the placement of financing transactions; (4) agent fees received from various manufacturers in the reseller business; and (5) interest and other miscellaneous income. These revenues are included in fee and other income in our consolidated statements of earnings.

RESERVE FOR CREDIT LOSSES. The reserve for credit losses is maintained at a level believed by management to be adequate to absorb potential losses inherent in the Company's lease and accounts receivable portfolio. As of March 31, 2003 and 2004, the Company's reserve for credit losses was $6.8 and $4.7 million, respectively. Management's determination of the adequacy of the reserve is based on an evaluation of historical credit loss experience, current economic conditions, volume, growth, the composition of the lease portfolio, and other relevant factors. The reserve is increased by provisions for potential credit losses charged against income. Accounts are either written off or written down when the loss is both probable and determinable, after giving consideration to the customer's financial condition, the value of the underlying collateral and funding status (i.e., discounted on a non-recourse or recourse basis).

INVESTMENTS. The Company has a 5% membership interest in MLC/CLC LLC, a joint venture to which the Company sold leased equipment. MLC/CLC LLC stopped purchasing leased equipment prior to the year ended March 31, 2001. The Company's investment in MLC/CLC LLC was accounted for using the cost method. The Company recorded an impairment of $628,218 during the year ended March 31, 2002, representing the entire balance of this investment.

CAPITALIZATION OF COSTS OF SOFTWARE FOR INTERNAL USE. The Company has capitalized certain costs for the development of internal-use software under the guidelines of SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." During the years ended March 31, 2004 and 2003, respectively, $0.4 million and $0.2 million of costs for the development of software for internal use were capitalized. As of March 31, 2004, the Company had $1.2 million, net of amortization, of capitalized costs for the development of internal-use software as compared to $1.7 million, net of amortization, at March 31, 2003. These capitalized costs are included in the accompanying consolidated balance sheets as a component of property and equipment - net.

CAPITALIZATION OF COSTS OF SOFTWARE TO BE MADE AVAILABLE TO CUSTOMERS. In accordance with SFAS No. 86, "Accounting for Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," software development costs are expensed as incurred until technological feasibility has been established, at such time such costs are capitalized until the product is made available for release to customers. During the years ended March 31, 2004 and 2003, $1.9 million and $0.3 million of costs for the development of software available to customers were capitalized. The increase was due, in part, to the acquisition of software and products from Digital Paper Corporation. As of March 31, 2004, the Company had $1.0 million, net of amortization, of capitalized costs for the development of software available to customers as compared to $0.3 million, net of amortization, at March 31, 2003. These capitalized costs are included in the accompanying consolidated balance sheets as a component of other assets.

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation 46, “Consolidation of Variable Interest Entities.” In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity’s activities or entitled to receive a majority of the entity’s residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company adopted Interpretation No. 46 in the fourth quarter of the current fiscal year and its adoption did not have a material impact on its financial statements.

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” SFAS No. 149 amends and clarifies accounting and reporting of derivative instruments and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. The Company adopted SFAS No. 149 and its adoption did not have a material impact on its financial statements.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, except for mandatorily redeemable financial instruments. Mandatorily redeemable financial instruments are subject to the provisions of this statement beginning on January 1, 2004. The Company adopted SFAS No. 150 and its adoption did not have a material impact on its financial statements.

RESULTS OF OPERATIONS

The Year Ended March 31, 2004 Compared to the Year Ended March 31, 2003

Total revenues generated by the Company during the year ended March 31, 2004 were $330.6 million compared to revenues of $299.6 million for the year ended March 31, 2003, an increase of 10.3%. This increase is primarily attributable to increased revenues from the sales of product from the IT reseller due, in part, from increased demand from its customers. The Company’s revenues are composed of sales, lease revenues, and fee and other income, and may vary considerably from period to period.

Sales revenue, which includes sales of product and sales of leased equipment, increased 14.1% to $267.9 million during the year ended March 31, 2004, as compared to $234.9 million in the prior fiscal year.

The majority of sales of product are generated through the Company's technology business unit subsidiaries. Sales of used and/or off-lease equipment are also generated from the Company's brokerage and re-marketing activities. For the year ended March 31, 2004, we experienced an increase in customer demand for IT products despite an overall sluggish economy. The increase was a result of increased sales within the Company's existing customer base and from customers attained from recent acquisitions. For the year ended March 31, 2004, equipment sales through the Company's technology business unit subsidiaries accounted for 98.8% of sales of product, compared to 99.1% for the prior fiscal year. For the year ended March 31, 2004, sales of product increased 17.1% to $267.9 million, a result of increased technology sales through the Company's subsidiaries.

The Company realized a gross margin on sales of product of 11.8% for the year ended March 31, 2004, as compared to 12% during the year ended March 31, 2003.

The Company also recognizes revenue from the sale of leased equipment. During the year ended March 31, 2004 there were no sales of leased equipment with the prior year having $6.1 million with a gross margin of 3.3%. In addition, the revenue and gross margin recognized on sales of leased equipment can vary significantly depending on the nature and timing of the sale, as well as the timing of any debt funding recognized in accordance with SFAS No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", as amended by SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities-a replacement of FASB Statement No. 125."

The Company's lease revenues increased 1.5% to $51.3 million for the year ended March 31, 2004, compared with $50.5 million for the prior fiscal year. Our net investment in leased assets was $186.7 million at March 31, 2004, a 2.5% increase from $182.2 million at March 31, 2003.

For the year ended March 31, 2004, fee and other income was $11.4 million, a decrease of 20.0% over the prior fiscal year. Fee and other income includes *e*ECM revenues, revenues from adjunct services and management fees, including broker fees, support fees, warranty reimbursements, and learning center revenues generated by the Company's technology business unit subsidiaries. The decrease in fee and other income in the year ended March 31, 2004 is a reflection of a $2.5 million settlement from one of the Company's equipment vendors received in the prior year. The Company's fee and other income contains earnings from certain transactions which are in the Company's normal course of business but there is no guarantee that future transactions of the same nature, size or profitability will occur. The Company's ability to consummate such transactions, and the timing thereof, may depend largely upon factors outside the direct control of management. The earnings from these types of transactions in a particular period may not be indicative of the earnings that can be expected in future periods.

The Company's direct lease costs increased 60.4% during the year ended March 31, 2004, as compared to the prior fiscal year. The largest component of direct lease costs is depreciation expense of leased equipment. The investment in operating leases has increased 126.5% in the current year.

Professional and other fees increased 16.1% for the year ended March 31, 2004 over the prior fiscal year, and was primarily the result of an increase in broker fees from sales of products and utilization of outside professional services.

Salaries and benefits expenses decreased 4.8% during the year ended March 31, 2004, as compared to the prior fiscal year. The decrease is the result of the reduction in the total number of employees and the consolidation of the IT resellers.

General and administrative expenses increased 0.9% over the prior fiscal year as the Company's general and administative expenses remained similar to the prior year.

Interest and financing costs incurred by the Company for the year ended March 31, 2004 decreased 17.6%, and was related to interest costs on the Company's indebtedness. In addition to decreased borrowing under the Company's lines of credit, the Company's lease-related non-recourse debt portfolio increased insignificantly, but our weighted average interest rate on new lease-related non-recourse debt decreased during the years ended March 31, 2004 and 2003 (See "Liquidity and Capital Resources"). Payment for interest costs on the majority of non-recourse and certain recourse notes are typically remitted directly to the lender by the lessee.

The Company's provision for income taxes increased to $7.1 million for the year ended March 31, 2004 from $6.8 million for the prior fiscal year, reflecting an effective income tax rate of 41.0% in each year.

The foregoing resulted in a 4.5% increase in net earnings for the year ended March 31, 2004, as compared to the prior fiscal year.

Basic and fully diluted earnings per common share were $1.09 and $1.02, respectively, for the year ended March 31, 2004, as compared to $0.97 and $0.96, respectively, for the year ended March 31, 2003, based on weighted average common shares outstanding of 9,332,324 and 9,976,458, respectively, for 2004 and 10,061,088 and 10,109,809, respectively, for 2003.

The Year Ended March 31, 2003 Compared to the Year Ended March 31, 2002

Total revenues generated by the Company during the year ended March 31, 2003 were $299.6 million compared to revenues of $205.0 million for the year ended March 31, 2002, an increase of 46.2%. This increase is primarily attributable to significantly increased revenues from the sales of product and smaller increases in lease revenues and fee and other income, and offset somewhat by a decrease in sales of leased equipment. The Company's revenues are composed of sales, lease revenues, and fee and other income, and may vary considerably from period to period.

Sales revenue, which includes sales of product and sales of leased equipment, increased 65.0% to $234.9 million during the year ended March 31, 2003, as compared to $142.4 million in the prior fiscal year.

The majority of sales of product are generated through the Company’s technology business unit subsidiaries. Sales of used and/or off-lease equipment are also generated from the Company’s brokerage and re-marketing activities. For the year ended March 31, 2003, we experienced an increase in customer demand for IT products despite an overall sluggish economy. The increase was a result of increased sales within the Company’s existing customer base and from customers attained from recent acquisitions. For the year ended March 31, 2003, equipment sales through the Company’s technology business unit subsidiaries accounted for 99.1% of sales of product, compared to 99.2% for the prior fiscal year. For the year ended March 31, 2003, sales of product increased 72.0% to $228.8 million, a result of increased technology sales through the Company’s subsidiaries.

The Company realized a gross margin on sales of product of 12.0% for the year ended March 31, 2003, as compared to 13.9% during the year ended March 31, 2002. This decrease in net margin percentage can be attributed to increased competition in the marketplace and variations in the profitability on the mix and volume of products sold.

The Company also recognizes revenue from the sale of leased equipment. During the year ended March 31, 2003 compared to the prior fiscal year, sales of leased equipment decreased 34.8% to $6.1 million. During the years ended March 31, 2003 and March 31, 2004, the Company recognized a gross margin of 3.3% on leased equipment sales. The decrease in sales of leased equipment for the year ended March 31, 2003 reflects the reduced volume of lease equipment sold to outside investors. Leases that are not equity-sold to investors remain on the Company’s books and lease earnings are recognized accordingly. In addition, the revenue and gross margin recognized on sales of leased equipment can vary significantly depending on the nature and timing of the sale, as well as the timing of any debt funding recognized in accordance with SFAS No. 125 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities”, as amended by SFAS No. 140 “Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities-a replacement of FASB Statement No. 125.” Prior to May 2000, the majority of the Company’s sales of leased equipment had historically been sold to MLC/CLC LLC , a joint venture in which the Company owns a 5% interest. Firstar Equipment Finance Corporation, which owns 95% of MLC/CLC LLC , discontinued their investment in new lease acquisitions effective May 2000. The Company has developed and will continue to develop relationships with additional lease equity investors and financial intermediaries to diversify its sources of equity financing.

The Company’s lease revenues increased 3.4% to $50.5 million for the year ended March 31, 2003, compared with $48.9 million for the prior fiscal year. This increase reflects increased order period fees and lease sales, offset somewhat by original term lease earnings on the Company’s maturing lease portfolio. Our net investment in leased assets was $182.2 million at March 31, 2003, a 7.7% increase from $169.1 million at March 31, 2002.

For the year ended March 31, 2003, fee and other income was $14.3 million, an increase of 3.5% over the prior fiscal year. Fee and other income includes *e*ECM revenues, revenues from adjunct services and management fees, including broker fees, support fees, warranty reimbursements, and learning center revenues generated by the Company's technology business unit subsidiaries. The increase in fee and other income in the year ended March 31, 2003 is the result of increased professional services fees and broker fee revenue, and includes an approximate $2.5 million settlement from one of the Company's equipment vendors. The Company's fee and other income contains earnings from certain transactions which are in the Company's normal course of business but there is no guarantee that future transactions of the same nature, size or profitability will occur. The Company's ability to consummate such transactions, and the timing thereof, may depend largely upon factors outside the direct control of management. The earnings from these types of transactions in a particular period may not be indicative of the earnings that can be expected in future periods.

The Company's direct lease costs decreased 31.3% during the year ended March 31, 2003, as compared to the prior fiscal year. The largest component of direct lease costs is depreciation expense of leased equipment.

Professional and other fees increased 17.3% for the year ended March 31, 2003 over the prior fiscal year, and was primarily the result of an increase in broker fees and utilization of outside services.

Salaries and benefits expenses increased 44.0% during the year ended March 31, 2003, as compared to the prior fiscal year. The increase is the result of the increased weighted average number of personnel employed by the Company, particularly employees acquired in recent acquisitions, as well as increased commission expenses in the Company's lease financing and technology sales units.

General and administrative expenses increased 18.9% over the prior fiscal year. This increase is primarily related to the expense of additional personnel added through recent acquisitions. In addition, the Company has experienced increased expenses related to the development and deployment of its e-commerce strategy.

Interest and financing costs incurred by the Company for the year ended March 31, 2003 decreased 29.7%, and relate to interest costs on the Company's indebtedness. In addition to decreased borrowing under the Company's lines of credit, the Company's lease-related non-recourse debt portfolio decreased significantly, and our weighted average interest rate on new lease-related non-recourse debt decreased during the years ended March 31, 2003 and 2002 (See "Liquidity and Capital Resources"). Payment for interest costs on the majority of non-recourse and certain recourse notes are typically remitted directly to the lender by the lessee.

The Company's provision for income taxes increased to $6.8 million for the year ended March 31, 2003 from $6.0 million for the prior fiscal year, reflecting effective income tax rates of 41.0% and 40.3%, respectively.

The foregoing resulted in a 9.0% increase in net earnings for the year ended March 31, 2003, as compared to the prior fiscal year.

Basic and fully diluted earnings per common share were $0.97 and $0.96, respectively, for the year ended March 31, 2003, as compared to $0.87 and $0.85, respectively, for the year ended March 31, 2002, based on weighted average common shares outstanding of 10,061,088 and 10,109,809, respectively, for 2003 and 10,235,129 and 10,458,235, respectively, for 2002.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended March 31, 2004, the Company generated cash flows from operations of $20.6 million, and used cash flows from investing activities of $24.1 million. Cash flows provided by financing activities amounted to $0.8 million during the same period. The effect of exchange rate changes during the period provided cash flows of $59,259. The net effect of these cash flows was a net decrease in cash and cash equivalents of $2.6 million during the year. During the same period, our total assets increased $15.3 million, primarily as the result of increases in our net accounts receivable. The Company's net investments in direct financing lease equipment decreased $6.6 million, or 3.8%, and operating lease equipment increased $11.1 million, or 126.5%, respectively, during the period. The cash balance at March 31, 2004 was $25.2 million as compared to $27.8 million the prior year.

The Company's debt financing activities typically provide approximately 80% to 100% of the purchase price of the equipment purchased by the Company for lease to its customers. Any balance of the purchase price (the Company's equity investment in the equipment) must generally be financed by cash flow from its operations, the sale of the equipment leased to third parties, or other internal means. Although the Company expects that the credit quality of its leases and its residual return history will continue to allow it to obtain such financing, no assurances can be given that such financing will be available, at acceptable terms, or at all. The financing necessary to support the Company's leasing activities has principally been provided by non-recourse and recourse borrowings. Historically, the Company has obtained recourse and non-recourse borrowings from banks and finance companies. Non-recourse financings are loans whose repayment is the responsibility of a specific customer, although we may make representations and warranties to the lender regarding the specific contract or have ongoing loan servicing obligations. Under a non-recourse loan, we borrow from a lender an amount based on the present value of the contractually committed lease payments under the lease at a fixed rate of interest, and the lender secures a lien on the financed assets. When the lender is fully repaid from the lease payment, the lien is released and all further rental or sale proceeds are ours. We are not liable for the repayment of non-recourse loans unless we breach our representations and warranties in the loan agreements. The lender assumes the credit risk of each lease, and their only recourse, upon default by the lessee, is against the lessee and the specific equipment under lease. Recently, the Company has funded its leasing activities with Bank of America Vendor Finance, Inc.(including Fleet Business Credit LLC), De Lage Landen Financial Services, Inc., Citizens Leasing Corporation, Fifth Third Bank, GE Capital Corporation, Hitachi Capital America Corporation , JP Morgan Leasing, Inc. , Wells Fargo Equipment Finance, Inc. and Key Corporate Capital Inc., among others. Each transaction is specifically approved and done solely at the lender's discretion.

During the year ended March 31, 2004, the Company's lease-related non-recourse debt portfolio increased 1.4% to $117.9 million.

Whenever desirable and possible, the Company arranges for equity investment financing which includes selling assets including the residual portions to third parties and financing the equity investment on a non-recourse basis. The Company generally retains customer control and operational services, and has minimal residual risk. The Company usually preserves the right to share in remarketing proceeds of the equipment on a subordinated basis after the investor has received an agreed-to return on its investment.

The Company's "Accounts payable - equipment" represents equipment costs that have been placed on a lease schedule, but for which the Company has not yet paid. The balance of unpaid equipment cost can vary depending on vendor terms and the timing of lease originations. As of March 31, 2004, the Company had $10.0 million of unpaid equipment cost, as compared to $5.6 million at March 31, 2003.

Working capital for our leasing business is provided through a $45,000,000 credit facility expiring on July 21, 2006. Participating in this facility are Branch Banking and Trust Company ($15,000,000), Bank of America ($15,000,000) and National City Bank ($15,000,000), the agent. The ability to borrow under this facility is limited to the amount of eligible collateral at any given time. The credit facility has full recourse to the Company and is secured by a blanket lien against all of the Company's assets such as chattel paper (including leases), receivables, inventory, and equipment and including the common stock of all wholly-owned subsidiaries. The credit facility contains certain financial covenants and certain restrictions on, among other things, the Company's ability to make certain investments, and sell assets or merge with another company. The interest rates charged on borrowings are the higher of the LIBOR interest rate plus 1.75% to 2.5%, or the higher of the Federal Funds Rate plus 0.5% to 0.75% or prime rate. As of March 31, 2004, the Company had no outstanding balance on the facility. In general, we use the National City Bank facility to pay the cost of equipment to be put on lease, and we repay borrowings from the proceeds of: (1) long-term, non-recourse, fixed rate financing which we obtain from lenders after the underlying lease transaction is finalized or (2) sales of leases to third parties. The loss of this credit facility could have a material adverse effect on our future results as we may have to use this facility for daily working capital and liquidity for our leasing business. The availability of the credit facility is subject to a borrowing base formula that consists of inventory, receivables, purchased assets, and lease assets. Availability under the credit facility may be limited by the asset value of the equipment purchased by us or by terms and conditions in the credit facility agreement. If we are unable to sell the equipment or unable to finance the equipment on a permanent basis within a certain time period, the availability of credit under the facility could be diminished or eliminated. The credit facility contains covenants relating to minimum tangible net worth, cash flow coverage ratios, maximum debt to equity ratio, maximum guarantees of subsidiary obligations, mergers and acquisitions and asset sales.

*e*Plus Technology of NC, inc., *e*Plus Technology of PA, inc. and *e*Plus Technology, inc., until they were merged on March 31, 2003, had separate credit facilities to finance their working capital requirements for inventories and accounts receivable. After the entities were merged into *e*Plus Technology, inc., the credit facilities were effectively merged into one by GE Distribution Finance Corporation ("GECDF"). The floor planning line from IBM Credit Corporation was terminated on March 31, 2003. The outstanding balances on the IBM Credit Corporation as of March 31, 2003 were paid subsequent to year-end and further borrowings on this line have ceased. The traditional business of ePlus Technology as a seller of computer technology and related network equipment and software products is financed through agreements known as “floor planning” financing in which interest expense for the first thirty to forty-five days is not charged but is paid by the supplier/distributor. The floor planning liabilities are recorded as accounts payable-trade, as they are normally repaid within the thirty to forty-five day time-frame and represent an assigned accounts payable originally generated with the supplier/distributor. If the thirty to forty-five day obligation is not paid timely, interest is then assessed at stated contractual rates.

The floor planning inventory agreement with GECDF had a maximum credit limit of $26,000,000 for each year and the outstanding balances were $21,637,077 and $15,158,501 as of March 31, 2004 and 2003, respectively. In addition to the floor planning financing, ePlus Technology, inc., has an accounts receivable facility through GECDF with a maximum amount that can be borrowed of $7,000,000. At March 31, 2004, there was no outstanding balance on this account receivable facility and $2,726,347 was outstanding on this facility as of March 31, 2003. Borrowing availability under the GECDF facilities is limited to specific allowable collateral asset values and also must comply with contractual covenants regarding tangible net worth, a debt to equity ratio, dividend restrictions and limitations on asset sales.

The facilities provided by GECDF have a guaranty of up to $6,900,000 by ePlus inc. Loss of the GECDF facility, which can occur with 90 days notice from GECDF, could have a material adverse effect on our future results as we rely on these facilities for daily working capital and liquidity for our technology sales business and operational accounts payable functions.

The Company had two subordinated recourse notes payable with a total principal amount due of $3.1 million to Centura Bank resulting from the acquisition of CLG, Inc. in September 1999. These notes were originally due in October 2006, but could be repaid at any earlier date, and had an 11% interest rate payable monthly. These notes were paid off on August 30, 2002 in connection with a settlement.

In the normal course of business, the Company may provide certain customers with performance guarantees, which are generally backed by surety bonds. In general, the Company would only be liable for the amount of these guarantees in the event of default in the performance of our obligations, the probability of which is remote in management’s opinion. The Company is in compliance with the performance obligations under all service contracts for which there is a performance guarantee, and any liability incurred in connection with these guarantees would not have a material adverse effect on the Company’s consolidated results of operations or financial position. In addition, the Company has other guarantees that represent parent guarantees in support of the ePlus Technology, inc. floor planning and accounts receivable financing up to $6.9 million.

CONTRACTUAL OBLIGATIONS

The impact that our contractual obligations as of March 31, 2004 are expected to have on our liquidity and cash flow in future periods is as follows:

Payments Due by Period

	Total	Less than 1 Year	1-3 years	3-5 years	More than 5 years
Nonrecourse notes payable (1)	$ 117,857,208	$ 63,118,320	$ 47,647,123	$ 7,091,765	-
Recourse notes payable	5,863	5,863	-	-	-
Operating lease obligations (2)	1,623,386	1,362,141	261,245	-	-
Purchase Obligations (3)	394,325	301,730	92,595		
Total	$ 119,880,782	$ 64,788,054	$ 48,000,963	$ 7,091,765	-

(1) Nonrecourse notes payable obligations in which the specific lease receivable payments have been assigned to the lender.
(2) Rent obligations
(3) Telecommunications-related contracts

OFF BALANCE SHEET ARRANGEMENTS

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As of March 31, 2004, we are not involved in any unconsolidated special purpose entity transactions.

ADEQUACY OF CAPITAL RESOURCES

The continued implementation of the Company's *e*ECM business strategy will require a significant investment in both resources and managerial focus. In addition, the Company may selectively acquire other companies that have attractive customer relationships and skilled sales forces. The Company may also acquire technology companies to expand and enhance the platform of *e*ECM to provide additional functionality and value added services. As a result, the Company may require additional financing to fund its strategy implementation and potential future acquisitions, which may include additional debt and equity financing.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Although a substantial portion of the Company's liabilities are non-recourse, fixed interest rate instruments, the Company is reliant upon lines of credit and other financing facilities which are subject to fluctuations in interest rates. These instruments were entered into for other than trading purposes, are denominated in U.S. Dollars, and, with the exception of amounts drawn under the National City Bank and GE Distribution Finance Corporation (formerly Deutsche Financial Services Corporation) facilities, bear interest at a fixed rate. Because the interest rate on these instruments is fixed, changes in interest rates will not directly impact our cash flows. Borrowings under the National City and GE Distribution Finance Corporation facilities bear interest at a market-based variable rate, based on a rate selected by the Company and determined at the time of borrowing. Due to the relatively short nature of the interest rate periods, we do not expect our operating results or cash flow to be materially affected by changes in market interest rates. As of March 31, 2004, the aggregate fair value of our recourse borrowings approximated their carrying value.

During the year ended March 31, 2003, the company began transacting business in Canada. As such, the Company has entered into lease contracts and non-recourse, fixed interest rate financing denominated in Canadian Dollars. To date, Canadian operations have been insignificant and the Company believes that potential fluctuations in currency exchange rates will not have a material effect on its financial position.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the consolidated financial statements and Schedule listed in the accompanying Index to Financial Statements.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2004. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of March 31, 2004, our disclosure controls and procedures were effective to provide reasonable assurance that information relating to the Company and its subsidiaries that we are required to disclose in the reports that we file or submit to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

During the last fiscal quarter covered by this annual report, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART III

Except as set forth below, the information required by Items 10, 11, 12, 13 and 15 is incorporated by reference from the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the Company's fiscal year.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the name, age and position with the Company of each person who is an executive officer, director or significant employee.

NAME	AGE	POSITION	CLASS
Phillip G. Norton	60	Director, Chairman of the Board, President and Chief Executive Officer	III
Bruce M. Bowen	52	Director and Executive Vice President	III
Steven J. Mencarini	48	Senior Vice President and Chief Financial Officer	
Kleyton L. Parkhurst	41	Senior Vice President and Treasurer	
Terrence O'Donnell.	60	Director	II
Lawrence S. Herman	60	Director	I
C. Thomas Faulders, III.	54	Director	I
Milton E. Cooper	65	Director	II

ITEM 11. EXECUTIVE COMPENSATION

See introductory paragraph of this Part III.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND RELATED STOCKHOLDER MATTERS

See introductory paragraph of this Part III.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See introductory paragraph of this Part III.

ITEM 14. PRINCIPAL ACCOUNTANTS AND FEES

AUDIT FEES. The aggregate fees to be charged by Deloitte & Touche LLP for professional services rendered for the audit of our annual financial statements for the fiscal year ended March 31, 2004 and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q for that fiscal year are $350,000. The aggregate fees charged by Deloitte & Touche LLP for professional services rendered for the audit of our annual financial statements for the fiscal year ended March 31, 2003 and for the reviews of the financial statements included in our Quarterly Reports on Form 10-Q for that fiscal year were $255,000.

AUDIT-RELATED FEES. There were no fees billed by Deloitte & Touche LLP for audit-related services rendered for the fiscal years ended March 31, 2004 or 2003.

TAX FEES. There were no fees billed by Deloitte & Touche LLP for tax-related services rendered for the fiscal years ended March 31, 2004 or 2003.

ALL OTHER FEES. There were no other fees billed in the last two fiscal years for professional services rendered by Deloitte & Touche LLP.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

The consolidated financial statements listed in the accompanying Index to Financial Statements and Schedule are filed as a part of this report and incorporated herein by reference.

(a)(2) Financial Statement Schedule

The financial statement schedule listed in the accompanying Index to Financial Statements and Schedule are filed as a part of this report and incorporated herein by reference.

(b) Reports on Form 8-K

On February 13, 2004, The Company filed a Form 8-K with respect to a press release reporting its financial results for the fiscal quarter ended December 31, 2003.

(c) Exhibit List

Exhibit No.	Exhibit Description
2.4	Agreement and Plan of Reorganization by and among SourceOne Computer Corporation, Robert Nash, Donna Nash, R. Wesley Jones, the shareholders of SourceOne Computer Corporation, *e*Plus inc. and *e*Plus Technology, inc., dated as of October 2, 2001 (Incorporated herein by reference to Exhibit 2 filed as part of the Registrant's Form 8-K dated October 12, 2001).
2.5	Asset Purchase and Sale Agreement by and between *e*Plus Technology, inc., Elcom Services Group, Inc., Elcom, Inc., and Elcom International, Inc., dated March 25, 2002 (Incorporated herein by reference to Exhibit 2 filed as part of the Registrant's Form 8-K dated April 5, 2002).
2.6	Amendment to Asset Purchase and Sale Agreement by and between *e*Plus Technology, inc., Elcom Services Group, Inc., Elcom, Inc., and Elcom International, Inc., dated March 29, 2002 (Incorporated herein by reference to Exhibit 2.1 filed as part of the Registrant's Form 8-K dated April 5, 2002).
3.1	Certificate of Incorporation of the Company, filed August 27, 1996 (Incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2002).

3.2	Certificate of Amendment of Certificate of Incorporation of the Company, filed September 30, 1997 (Incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2002).
3.3	Certificate of Amendment of Certificate of Incorporation of the Company, filed October 19, 1999 (Incorporated herein by reference to Exhibit 3.3 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2002).
3.4	Certificate of Amendment of Certificate of Incorporation of the Company, filed May 23, 2002 (Incorporated herein by reference to Exhibit 3.4 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2002).
3.5	Certificate of Amendment of Certificate of Incorporation of the Company, filed October 1, 2003 (Incorporated herein by reference to Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2003).
3.6	Bylaws of the Company, as amended to date (Incorporated herein by reference to Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2002).
10.1	Form of Indemnification Agreement entered into between the Company and its directors and officers (Incorporated herein by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-1 (File No. 333-11737)).
10.2*	Form of Employment Agreement between the Registrant and Phillip G. Norton (Incorporated herein by reference to Exhibit 10.2 to the Company's Registration Statement on Form S-1 (File No. 333-11737))
10.3*	Form of Employment Agreement between the Registrant and Bruce M. Bowen (Incorporated herein by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (File No. 333-11737)).
10.4*	Form of Employment Agreement between the Registrant and Kleyton L. Parkhurst (Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 2, 2003).
10.5*	Form of Employment Agreement between the Registrant and Steven J. Mencarini (Incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 2, 2003).

10.6*	MLC Master Stock Incentive Plan (Incorporated herein by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).
10.7*	Amended and Restated Incentive Stock Option Plan (Incorporated herein by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).
10.8*	Amended and Restated Outside Director Stock Option Plan (Incorporated herein by reference to Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).
10.9*	Amended and Restated Nonqualified Stock Option Plan (Incorporated herein by reference to Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).
10.10*	1997 Employee Stock Purchase Plan (Incorporated herein by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).
10.11	1998 Long Term Incentive Plan (Incorporated herein by reference to Exhibit 1.1 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1998).
10.12	First Amendment to Loan and Security Agreement dated March 12, 1997 between MLC Group, Inc. and Heller Financial, Inc. (Incorporated herein by reference to Exhibit 5.2 to the Company's Current Report on Form 8-K filed on March 28, 1997).
10.15	Form of Irrevocable Proxy and Stock Rights Agreement (Incorporated herein by reference to Exhibit 10.15 to the Company's Registration Statement on Form S-1 (File No. 333-11737)).
10.16	Credit Agreement dated January 19, 2001 between ePlus, inc., *e*Plus Group, inc., *e*Plus Government, inc., and *e*Plus Capital, inc., with National City Bank, Inc., as Agent (Incorporated herein by reference to Exhibit 5.1 to the Company's Current Report on Form 8-K filed on February 2, 2001).
10.17	Amended Credit Agreement dated July 21, 2003 between *e*Plus inc., *e*Plus Group, inc., *e*Plus Government, inc., and *e*Plus Capital, inc., with National City Bank, Inc., as Agent (Incorporated herein by reference to Exhibit 5.1 to the Company's Current Report on Form 8-K filed on July 25, 2003).
10.18	Business Financing Agreement dated September 8, 2000 between Deutsche Financial Services Corporation and *e*Plus Technology, inc. (Incorporated herein by reference to Exhibit 5.1 to the Company's Current Report on Form 8-K filed on September 22, 2000).

10.19 Agreement for Wholesale Financing dated September 8, 2000 between Deutsche Financial Services Corporation and *e*Plus Technology, inc. (Incorporated herein by reference to Exhibit 5.2 to the Company's Current Report on Form 8-K filed on September 22, 2000).

10.20 Paydown Addendum to Business Financing Agreement between Deutsche Financial Services Corporation and *e*Plus Technology, inc. (Incorporated herein by reference to Exhibit 5.3 to the Company's Current Report on Form 8-K filed on September 22, 2000).

10.21 Limited Guaranty dated September 8, 2000 between Deutsche Financial Services Corporation and *e*Plus inc.(Incorporated herein by reference to Exhibit 5.3 to the Company's Current Report on Form 8-K filed on September 22, 2000).

10.22 Agreement for Wholesale Financing between Deutsche Financial Services Corporation and *e*Plus Technology of PA, inc., dated February 12, 2001 (Incorporated herein by reference to Exhibit 5.1 to the Company's Current Report on Form 8-K filed on March 13, 2001).

10.23 Business Financing Agreement between Deutsche Financial Services Corporation and *e*Plus Technology of PA, inc., dated February 12, 2001 (Incorporated herein by reference to Exhibit 5.2 to the Company's Current Report on Form 8-K filed on March 13, 2001).

10.24 Addendum to Business Financing Agreement and Agreement for Wholesale Financing between Deutsche Financial Services Corporation and *e*Plus Technology of PA, inc., dated February 12, 2001 (Incorporated herein by reference to Exhibit 5.3 to the Company's Current Report on Form 8-K filed on March 13, 2001).

10.25 Limited Guaranty for *e*Plus Technology of PA, inc. to Deutsche Financial Services Corporation by *e*Plus, inc., dated February 12, 2001 (Incorporated herein by reference to Exhibit 5.4 to the Company's Current Report on Form 8-K filed on March 13, 2001).

10.26 Intercreditor Subordination Agreement between Deutsche Financial Services Corporation and IBM Credit Corporation and ePlus Technology of PA, inc., dated February 26, 2001 (Incorporated herein by reference to Exhibit 5.5 to the Company's Current Report on Form 8-K filed on March 13, 2001).

10.27 Agreement for Wholesale Financing between Deutsche Financial Services Corporation and *e*Plus Technology of NC, inc., dated February 12, 2001 (Incorporated herein by reference to Exhibit 5.6 to the Company's Current Report on Form 8-K filed on March 13, 2001).

10.28	Addendum to Agreement for Wholesale Financing between *e*Plus Technology of NC, inc. and Deutsche Financial Services Corporation, dated February 12, 2001 (Incorporated herein by reference to Exhibit 5.7 to the Company's Current Report on Form 8-K filed on March 13, 2001).
10.29	Addendum to Agreement for Wholesale Financing between *e*Plus Technology of NC, inc. and Deutsche Financial Services Corporation, dated February 12, 2001 (Incorporated herein by reference to Exhibit 5.8 to the Company's Current Report on Form 8-K filed on March 13, 2001).
10.30	Addendum to Business Financing Agreement and Agreement for Wholesale Financing between *e*Plus Technology, inc. and Deutsche Financial Services Corporation, dated February 12, 2001, amending the Business Financing Agreement and Wholesale Financing Agreement, dated August 31, 2000 (Incorporated herein by reference to Exhibit 5.9 to the Company's Current Report on Form 8-K filed on March 13, 2001).
10.31	Deed of Lease between CALEAST INDUSTRIAL INVESTORS, LLC (Landlord) and *e*Plus inc. (Tenant) (Incorporated herein by reference to Exhibit 10.30 to the Company's Annual Report on Form 10-K for the year ended March 31, 2003).
21	Subsidiaries of the Company
23	Consent of Deloitte & Touche LLP
31.1	Rule 13a-14(a) and 15d-14(a) Certification of the Chief Executive Officer of *e*Plus inc.
31.2	Rule 13a-14(a) and 15d-14(a) Certification of the Chief Financial Officer of *e*Plus inc.
32	Section 1350 certification of the Chief Executive Officer and Chief Financial Officer of *e*Plus inc.

* Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ PHILLIP G. NORTON
By: Phillip G. Norton, Chairman of the Board,
President and Chief Executive Officer
Date: June 15, 2004

/s/ BRUCE M. BOWEN
By: Bruce M. Bowen, Director and Executive
Vice President
Date: June 15, 2004

/s/ STEVEN J. MENCARINI
By: Steven J. Mencarini, Senior Vice President,
Chief Financial Officer, Principal Accounting Officer
Date: June 15, 2004

/s/ C. THOMAS FAULDERS, III
By: C. Thomas Faulders, III, Director
Date: June 15, 2004

/s/ TERRENCE O'DONNELL
By: Terrence O'Donnell, Director
Date: June 15, 2004

*e*Plus inc. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SCHEDULES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
*e*Plus inc.
Herndon, Virginia

We have audited the accompanying consolidated balance sheets of *e*Plus inc. and subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years ended March 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of *e*Plus inc. and subsidiaries as of March 31, 2003 and 2004, and the results of their operations and their cash flows for each of the three years ended March 31, 2004 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/S/ DELOITTE & TOUCHE LLP

McLean, Virginia
June 15, 2004

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2003		As of March 31, 2004	
ASSETS				
Cash and cash equivalents	$	27,784,090	$	25,155,011
Accounts receivable, net of allowance for doubtful accounts of $3,346,055 and $1,584,358 as of March 31, 2003 and 2004, respectively		38,384,841		51,188,640
Notes receivable		53,098		51,986
Inventories		1,373,168		899,748
Investment in leases and leased equipment – net of allowance for doubtful accounts of $3,407,376 and $3,145,655 as of March 31, 2003 and 2004, respectively		182,169,324		186,667,141
Property and equipment – net		5,249,087		5,230,473
Other assets		4,779,946		4,765,781
Goodwill		19,147,132		20,243,310
TOTAL ASSETS	$	278,940,686	$	294,202,090
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Accounts payable – equipment	$	5,635,776	$	9,993,077
Accounts payable – trade		25,914,385		32,140,670
Salaries and commissions payable		619,860		583,934
Accrued expenses and other liabilities		13,402,101		11,983,798
Recourse notes payable		2,736,298		5,863
Nonrecourse notes payable		116,255,194		117,857,208
Deferred tax liability		4,760,029		10,053,226
Total Liabilities		169,323,643		182,617,776
COMMITMENTS AND CONTINGENCIES (Note 8)		-		-
STOCKHOLDERS' EQUITY				
Preferred stock, $.01 par value; 2,000,000 shares authorized; none issued or outstanding		-		-
Common stock, $.01 par value; 50,000,000 authorized, 10,540,135 issued and 9,451,651 outstanding at March 31, 2003; and 25,000,000 authorized, 10,717,242 issued and 8,939,958 outstanding at March 31, 2004		105,400		107,172
Additional paid-in capital		62,905,727		64,339,988
Treasury stock, at cost, 1,088,484 and 1,777,284 shares, respectively		(7,511,124)		(17,192,886)
Retained earnings		54,057,732		64,211,473
Accumulated other comprehensive income – Foreign currency translation adjustment		59,308		118,567
Total Stockholders' Equity		109,617,043		111,584,314
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	278,940,686	$	294,202,090

See Notes to Consolidated Financial Statements.

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF EARNINGS

	Years Ended March 31,		
	2002	2003	2004
REVENUES			
Sales of product	$ 133,008,378	$ 228,769,966	$ 267,898,937
Sales of leased equipment	9,353,088	6,095,830	-
	142,361,466	234,865,796	267,898,937
Lease revenues	48,850,017	50,520,293	51,253,518
Fee and other income	13,773,863	14,260,057	11,405,033
	62,623,880	64,780,350	62,658,551
TOTAL REVENUES (1)	204,985,346	299,646,146	330,557,488
COSTS AND EXPENSES			
Cost of sales, product	114,554,147	201,277,000	236,283,350
Cost of sales, leased equipment	9,043,932	5,891,789	-
	123,598,079	207,168,789	236,283,350
Direct lease costs	9,578,631	6,582,409	10,560,586
Professional and other fees	2,717,618	3,188,046	3,700,795
Salaries and benefits	30,164,914	43,426,999	41,325,224
General and administrative expenses	12,194,169	14,499,261	14,630,731
Interest and financing costs	11,810,414	8,308,382	6,847,072
	66,465,746	76,005,097	77,064,408
TOTAL COSTS AND EXPENSES (2)	190,063,825	283,173,886	313,347,758
Earnings before provision for income taxes	14,921,521	16,472,260	17,209,730
Provision for income taxes	6,009,798	6,759,551	7,055,989
NET EARNINGS	$ 8,911,723	$ 9,712,709	$ 10,153,741
NET EARNINGS PER COMMON SHARE - BASIC	$ 0.87	$ 0.97	$ 1.09
NET EARNINGS PER COMMON SHARE - DILUTED	$ 0.85	$ 0.96	$ 1.02
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	10,235,129	10,061,088	9,332,324
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	10,458,235	10,109,809	9,976,458

(1) Includes amounts from related parties of $147,305, $145,962 and $302,968 for the fiscal years ended March 31, 2002, 2003 and 2004, respectively.
(2) Includes amounts to related parties of $902,818, $486,520 and $443,065 for the fiscal years ended March 31, 2002, 2003 and 2004, respectively.

See Notes to Consolidated Financial Statements.

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	2002	2003	2004
Cash Flows From Operating Activities:			
Net earnings	$ 8,911,723	$ 9,712,709	$ 10,153,741
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	5,644,713	4,510,705	10,487,439
Provision for credit losses	1,488,706	616,074	1,731,325
Deferred taxes	(5,161,182)	10,231,687	5,293,197
Loss on sale of operating lease equipment	240,137	1,112,697	
Adjustment of basis to fair market value of operating lease equipment and investments	1,001,169	-	-
Payments from lessees directly to lenders	(489,962)	(291,281)	(2,645,589)
Loss (Gain) on disposal of property and equipment	96,148	(47,562)	904,579
Changes in:			
Accounts receivable	18,079,347	2,465,447	(14,261,777)
Notes receivable	1,634,574	174,816	1,112
Inventories	1,899,869	(501,311)	473,420
Other assets (1)	(3,747,399)	609,853	59,987
Accounts payable - equipment	(5,327,815)	1,736,777	4,357,301
Accounts payable - trade	(7,513,939)	10,809,400	6,226,285
Salaries and commissions payable, accrued expenses and other liabilities	(4,405,675)	(5,348,826)	(2,187,332)
Net cash provided by operating activities	12,350,414	35,791,185	20,593, 688
Cash Flows From Investing Activities:			
Proceeds from sale of operating equipment	-	1,179,485	2,574,307
Purchase of operating lease equipment	(931,556)	(11,627,961)	(19,592,804)
Increase in investment in direct financing and sales-type leases	(27,457,697)	(19,761,290)	(2,653,444)
Proceeds from sale of property and equipment	3,907	-	-
Purchases of property and equipment	(1,644,879)	(1,549,190)	(2,801,030)
Cash used in acquisitions, net of cash acquired	(3,268,334)	-	(1,601,632)
Increase in other assets (2)	(373,959)	-	-
Net cash used in investing activities	(33,672,518)	(31,758,956)	(24,074,603)

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	2002	2003	2004
Cash Flows From Financing Activities:			
Borrowings:			
Nonrecourse	$ 81,520,753	$ 80,997,406	$ 77,904,696
Recourse	30,381	10,230,115	607,500
Repayments:			
Nonrecourse	(51,498,928)	(78,130,384)	(66,143,136)
Recourse	(604,515)	(8,089,225)	(3,337,935)
Pay-off of recourse debt due to settlement	-	(98,660)	-
Write-off of non-recourse debt due to bankruptcy	-	(1,996,596)	7,181
Purchase of treasury stock	(574,800)	(6,936,324)	(9,681,762)
Proceeds from issuance of capital stock, net of expenses	165,816	492,718	1,436,033
Repayments of lines of credit	(4,027,283)	(1,000,000)	-
Net cash provided by (used in) financing activities	25,011,424	(4,530,950)	792,577
Effect of exchange rate changes on cash	**-**	**59,308**	**59,259**
Net Increase (Decrease) in Cash and Cash Equivalents	3,689,320	(439,413)	(2,629,079)
Cash and Cash Equivalents, Beginning of Period	24,534,183	28,223,503	27,784,090
Cash and Cash Equivalents, End of Year	$ 28,223,503	$ 27,784,090	$ 25,155,011
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$ 1,952,352	$ 4,991,426	$ 6,388,066
Cash paid for income taxes	$ 7,164,082	$ 4,459,405	$ 1,067,972
Schedule of Noncash Investing and Financing Activities:			
Common stock issued for acquisitions	5,880,650	-	-
Liabilities assumed in purchase transactions	$ 4,029,331	$ -	$ 811,657

(1) Includes amounts provided by related parties of $98,202, $853 and $0 for the fiscal years ended March 31, 2002, 2003 and 2004.
(2) Includes amounts used by related parties of $(628,218), $0 and $0 for the fiscal years ended March 31, 2002, 2003 and 2004.

See Notes To Consolidated Financial Statements.

***e*Plus inc. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock						
	Shares	Par Value	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	TOTAL
Balance, April 1, 2001	9,730,154	$ 97,301	$56,376,934	$ -	$35,433,300	$	$91,907,535
Issuance of shares for option exercise	570	6	(89,668)	-	-	-	(89,662)
Issuance of shares to employees	33,414	334	253,129	-	-	-	253,463
Issuance of shares in business combination	697,832	6,978	5,873,672	-	-	-	5,880,650
Purchase of treasury stock	(66,100)	-	-	(574,800)	-	-	(574,800)
Net earnings	-	-	-	-	8,911,723	-	8,911,723
Balance, March 31, 2002	10,395,870	104,619	62,414,067	(574,800)	44,345,023	-	106,288,909
Issuance of shares for option exercise	39,850	398	271,487	-	-	-	271,885
Issuance of shares to employees	38,315	383	220,173	-	-	-	220,556
Purchase of treasury stock	(1,022,384)	-	-	(6,936,324)	-	-	(6,936,324)
Net earnings	-	-	-	-	9,712,709	-	9,712,709
Foreign currency translation adjustment	-	-	-	-	-	59,308	59,308
Total comprehensive income	-	-	-	-	-	-	9,772,017
Balance, March 31, 2003	9,451,651	105,400	62,905,727	(7,511,124)	54,057,732	59,308	109,617,043
Issuance of shares for option exercise	177,107	1,772	1,434,261	-	-	-	1,436,033
Purchase of treasury stock	(688,800)	-	-	(9,681,762)	10,153,741	-	(9,681,762)
Net earnings	-	-	-	-	-	59,259	10,153,741
Foreign currency translation adjustment	-	-	-	-	-		59,259
Total comprehensive income	-	-	-	-	-	-	10,213,000
Balance, March 31, 2004	8,939,958	$107,172	$64,339,988	$(17,192,886)	$64,211,473	$118,567	$111,584,314

See Notes to Consolidated Financial Statements.

*e*Plus inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of and For the Years Ended March 31, 2002, 2003, and 2004

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION - Effective October 18, 1999, MLC Holdings, Inc. changed its name to *e*Plus inc. ("*e*Plus" or the "Company"). Effective January 31, 2000, *e*Plus inc.'s wholly-owned subsidiaries MLC Group, Inc., MLC Federal, Inc., MLC Capital, Inc., PC Plus, Inc., MLC Network Solutions, Inc. and Educational Computer Concepts, Inc. changed their names to *e*Plus Group, inc., *e*Plus Government, inc., *e*Plus Capital, inc., *e*Plus Technology, inc., *e*Plus Technology of NC, inc. and *e*Plus Technology of PA, inc., respectively. Effective March 31, 2003, *e*Plus Technology of NC, inc. and *e*Plus Technology of PA, inc. were merged into *e*Plus Technology, inc.

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of *e*Plus inc. and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

BUSINESS COMBINATIONS - On October 4, 2001, the Company purchased all the outstanding stock of SourceOne Computer Corporation ("SourceOne"), a technology and services company located in Silicon Valley. Total consideration paid of $2,807,500 included $800,006 in cash and 274,999 shares of unregistered common stock, valued at $7.30 per share. The issuance of these securities was made in reliance on an exemption from registration provided by Section 4(2) or Regulation D of the Securities Act, as amended, as a transaction by an issuer not involving any public offering. The shareholders of SourceOne represented their intention to acquire the securities for investment only and not with a view to or for distribution in connection with such transaction, and an appropriate legend was affixed to the share certificates issued in the transaction. The shareholders of SourceOne had adequate access to information about *e*Plus through information made available to the shareholders of SourceOne. The shareholders of SourceOne were granted certain registration rights in connection with the transaction.

ASSET PURCHASES - On May 15, 2001, the Company purchased certain assets and assumed certain liabilities of ProcureNet, Inc. The primary software assets acquired were OneSource, a comprehensive e-procurement software solution, MarketBuilder, a marketplace software solution, Common Language Generator software that is used for electronic catalogue cleaning and enrichment, several registered and applied for patents, trademarks and copyrights. The total consideration was approximately $5.9 million, which included $1 million in cash, 422,833 shares of unregistered common stock valued at $9.16 per share, and the remainder was the assumption of certain liabilities. The acquisition was accounted for as a purchase, and the assets were placed in two new

wholly-owned subsidiaries: *e*Plus Systems, inc. and *e*Plus Content Services, inc.
On March 29, 2002, the Company purchased certain fixed assets, customer lists, and contracts, and assumed certain liabilities, relating to Elcom International, Inc.'s ("Elcom") IT fulfillment and IT professional services business. The Elcom purchase added offices in Boston, San Diego, New Jersey, and New York, NY. The purchase price included $2.2 million in cash and the assumption of certain liabilities of approximately $0.1 million. The Company also obtained in the transaction 300,000 warrants for Elcom (NASD NM: ELCO) common stock for $1.03 per share.

On October 10, 2003, the Company purchased certain assets and liabilities from Digital Paper Corporation. In the transaction, the Company acquired all of Digital Paper's intellectual property, including its DigitalPaper XE, ViewMark, DocPak, docQuest, DirectSight, DigitalPaper Wireless and Idocs software, rights to several Digital Paper patents and trademarks, including the Digital Paper name, and several of Digital Paper's customers and key personnel. The purchase price included $1.6 million in cash and the assumption of certain liabilities of approximately $0.8 million.

REVENUE RECOGNITION - The Company sells information technology equipment to its customers and recognizes revenue from equipment sales at the time equipment is accepted by the customer. The Company is the lessor in a number of its transactions and these are accounted for in accordance with Statement of Financial Accounting Standards ("SFAS") No. 13, "Accounting for Leases." Each lease is classified as either a direct financing lease, sales-type lease, or operating lease, as appropriate. Under the direct financing and sales-type lease methods, the Company records the net investment in leases, which consists of the sum of the minimum lease term payments, initial direct costs, and unguaranteed residual value (gross investment) less the unearned income. The difference between the gross investment and the cost of the leased equipment for direct finance leases is recorded as unearned income at the inception of the lease. The unearned income is amortized over the life of the lease using the interest method. Under sales-type leases, the difference between the fair value and cost of the leased property (net margins) is recorded as revenue at the inception of the lease. The Company adopted SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" effective January 1, 1997, as amended by SFAS No. 140. This standard establishes criteria for determining whether a transfer of financial assets in exchange for cash or other consideration should be accounted for as a sale or as a pledge of collateral in a secured borrowing. Certain assignments of direct finance leases made on a non-recourse basis by the Company after December 31, 1996 meet the criteria for surrender of control set forth by SFAS No. 125 and have therefore been treated as sales for financial statement purposes.

Sales of leased equipment represents revenue from the sales of equipment subject to a lease in which the Company is the lessor. If the rental stream on such lease has non-recourse debt associated with it, sales revenue is recorded at the amount of consideration received, net of the amount of debt assumed by the purchaser. If there is no non-recourse debt associated with the rental stream, sales revenue is recorded at the amount of gross consideration received, and costs of sales is recorded at the book value of the lease. Sales of equipment represents revenue generated through the sale of equipment sold primarily through the Company's technology business unit.

Lease revenues consist of rentals due under operating leases and amortization of unearned income on direct financing and sales-type leases. Equipment under operating leases is recorded at cost and depreciated on a straight-line basis over the lease term to the Company's estimate of residual value. For lease periods subsequent to the initial term, revenue is recognized upon receipt of payment by the lessee because collection of such amounts is not reasonably assured. Such revenues recognized were $12,697,838, $10,773,157, and $6,904,763 for the years ended on March 31, 2002, 2003, and 2004, respectively.

The Company assigns all rights, title, and interests in a number of its leases to third-party financial institutions without recourse. These assignments are accounted for as sales since the Company has completed its obligations at the assignment date, and the Company retains no ownership interest in the equipment under lease.

Revenue from sales of procurement software is recognized in accordance with the Statement of Position ("SOP") 97-2, "Software Revenue Recognition", as amended by SOP 98-4 "Deferral of the Effective Date of a Provision of SOP 97-2, Software Revenue Recognition" and SOP 98-9 "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions". We recognize revenue when all the following criteria exist: when there is persuasive evidence that an arrangement exists, delivery has occurred, no significant obligations by the Company with regard to implementation remain, the sales price is determinable and it is probable that collection will occur. Our accounting policy requires that revenue earned on software arrangements involving multiple elements be allocated to each element on the relative fair values of the elements and recognized when earned. Revenue relative to maintenance and support is recognized ratably over the maintenance term (usually one year) and revenue allocated to training, implementation or other services is recognized as the services are performed.

Amounts charged for the Company's Procur*e*+ service are recognized as services are rendered. Amounts charged for the Manag*e*+ service are recognized on a straight-line basis over the contractual period the services are provided. Fee and other income results from: (1) income from events that occur after the initial sale of a financial asset; (2) re-marketing fees; (3) brokerage fees earned for the placement of financing transactions; and (4) interest and other miscellaneous income. These revenues are included in fee and other income in our consolidated statements of earnings.

RESIDUALS - Residual values, representing the estimated value of equipment at the termination of a lease, are recorded in the consolidated financial statements at the inception of each sales-type or direct financing lease as amounts estimated by management based upon its experience and judgment. Residual values for sales-type and direct financing leases are recorded at their net present value and the unearned income is amortized over the life of the lease using the interest method. The residual values for operating leases are included in the leased equipment's net book value.

The Company evaluates residual values on an ongoing basis and records any required adjustments. In accordance with accounting principles generally accepted in the United States of America, no upward revision of residual values is made subsequent to lease inception.

RESERVE FOR CREDIT LOSSES - The reserve for credit losses (the "reserve") is maintained at a level believed by management to be adequate to absorb potential losses inherent in the Company's lease and accounts receivable portfolio. Management's determination of the adequacy of the reserve is based on an evaluation of historical credit loss experience, current economic conditions, volume, growth, the composition of the lease portfolio, and other relevant factors. The reserve is increased by provisions for potential credit losses charged against income. Accounts are either written off or written down when the loss is both probable and determinable, after giving consideration to the customer's financial condition, the value of the underlying collateral and funding status (i.e., discounted on a non-recourse or recourse basis).

CASH AND CASH EQUIVALENTS - Cash and cash equivalents include short-term repurchase agreements with an original maturity of three months or less.

INVENTORIES - Inventories are stated at the lower of cost (weighted average basis) or market.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years.

INVESTMENTS - The Company has a 5% membership interest in MLC/CLC LLC, a joint venture to which the Company sold leased equipment. MLC/CLC LLC stopped purchasing leased equipment prior to the year ended March 31, 2001. The Company recorded an impairment of $628,218 during the year ended March 31, 2002 on this investment which reduced its carrying value to zero. The Company wrote off $420,711 related to an investment in the equity of a start-up venture in 2002 as the underlying value did not support the carrying amount of the Company's investment.

CAPITALIZATION OF COSTS OF SOFTWARE FOR INTERNAL USE - The Company has capitalized certain costs for the development of internal use software under the guidelines of SOP 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Approximately $0.4 million and $0.2 million of internal use software was capitalized during the years ended March 31, 2004 and 2003, respectively, which is included in the accompanying consolidated balance sheets as a component of property and equipment.

CAPITALIZATION OF COSTS OF SOFTWARE TO BE MADE AVAILABLE TO CUSTOMERS - In accordance with SFAS No. 86, "Accounting for Costs of Computer

Software to be Sold, Leased, or Otherwise Marketed", software development costs are expensed as incurred until technological feasibility has been established. At such time such costs are capitalized until the product is made available for release to customers. For the years ended March 31, 2004 and 2003, respectively, $1.9 million and $0.3 million of development costs have been capitalized.

INCOME TAXES - Deferred income taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." Under this method, deferred income tax assets and liabilities are based on the difference between financial statement and tax bases of assets and liabilities, using tax rates currently in effect.

ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS - Certain items have been reclassified in the March 31, 2002 and 2003 financial statements to conform to the March 31, 2004 presentation.

COMPREHENSIVE INCOME - Comprehensive income consists of net income and foreign currency translation adjustments and is presented in the accompanying consolidated statements of stockholders' equity.

EARNINGS PER SHARE - Earnings per share (EPS) have been calculated in accordance with SFAS No. 128, "Earnings per Share." In accordance with SFAS No. 128, basic EPS amounts were calculated based on weighted average shares outstanding of 10,235,129 in fiscal 2002, 10,061,088 in 2003, and 9,332,324 in 2004. Diluted EPS amounts were calculated based on weighted average shares outstanding and common stock equivalents of 10,485,235 in fiscal 2002, 10,109,809 in 2003, and 9,976,458 in 2004. Additional shares included in the diluted earnings per share calculations are attributable to incremental shares issuable upon the assumed exercise of stock options and other common stock equivalents.

STOCK BASED COMPENSATION – As of March 31, 2004, the Company has four stock-based employee compensation plans, which are described more fully in Note 11. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations issued by the Financial Accounting Standards Board. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," to stock-based employee compensation:

	Year Ended March 31, 2002	2003	2004
Net earnings, as reported	$8,911,723	$9,712,709	$10,153,741
Stock based compensation expense	(3,125,488)	(3,653,928)	(2,454,303)
Net earnings, pro forma	$5,786,235	$6,058,781	$7,699,438
Basic earnings per share, as reported	$0.87	$0.97	$1.09
Basic earnings per share, pro forma	$0.56	$0.60	$0.83
Diluted earnings per share, as reported	$0.85	$0.96	$1.02
Diluted earnings per share, pro forma	$0.55	$0.60	$0.77

STOCK REPURCHASE - On September 20, 2001, the Company's Board of Directors authorized the repurchase of up to 750,000 shares of its outstanding common stock for a maximum of $5,000,000 over a period of time ending no later than September 20, 2002. On October 4, 2002, another stock repurchase program previously authorized by the Company's Board of Directors became effective. This program authorized the repurchase of up to 3,000,000 shares of the Company's outstanding common stock over a period of time ending no later than October 3, 2003 and is limited to a cumulative purchase amount of $7,500,000. On October 1, 2003, another stock purchase program was authorized by the Company's Board of Directors. This program authorizes the repurchase of up to 3,000,000 shares of the Company's outstanding common stock over a period of time ending no later than September 30, 2004 and is limited to a cumulative purchase amount of $7,500,000.

During the years ended March 31, 2002, 2003, and 2004, the Company repurchased 66,100, 1,022,384, and 688,800 shares of its outstanding common stock for a total of $574,800, $6,936,324, and $9,681,763. Since the inception of the Company's initial repurchase program on September 20, 2001, as of March 31, 2004, the Company had repurchased 1,777,284 shares of its outstanding common stock at an average cost of $9.67 per share for a total of $17,192,886. Of the shares repurchased, 331,551 shares were repurchased as a result of a settlement that occurred during the quarter ended September 30, 2002.

RECENT ACCOUNTING PRONOUNCEMENTS - In January 2003, the FASB issued Interpretation 46, "Consolidation of Variable Interest Entities." In general, a variable interest entity is a corporation, partnership, trust, or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. Interpretation 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of Interpretation 46 apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply in all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company adopted Interpretation No. 46 in the fourth quarter of the current fiscal year and its adoption did not have a material impact on its financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies accounting and reporting of derivative instruments and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. The company adopted SFAS No. 149 and its adoption did not have a material impact on its financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, except for mandatorily redeemable financial instruments. Mandatorily redeemable financial instruments are subject to the provisions of this statement beginning on January 1, 2004. The company adopted SFAS No. 150 and its adoption did not have a material impact on its financial statements.

2. INVESTMENTS IN LEASES AND LEASED EQUIPMENT - NET

Investments in leases and leased equipment – net consists of the following:

	As of March 31, 2003	As of March 31, 2004
	(In Thousands)	
Investment in direct financing and sales-type leases-net	$ 173,394	$ 166,790
investment in operating lease equipment-net	8,775	19,877
	$ 182,169	$ 186,667

INVESTMENT IN DIRECT FINANCING AND SALES-TYPE LEASES

The Company's investment in direct financing and sales-type leases consists of the following:

As of March 31, 2003	As of March 31, 2004
(In Thousands)	

Minimum lease payments	$ 168,385	$ 161,008
Estimated unguaranteed residual value	26,631	25,025
Initial direct costs, net of amortization (1)	3,072	2,342
Less: Unearned lease income	(21,287)	(18,439)
Reserve for credit losses	(3,407)	(3,146)
Investment in direct finance and sales-type leases, net	$ 173,394	$ 166,790

Future scheduled minimum lease rental payments as of March 31, 2004 are as follows:

		(In Thousands)
Year ending March 31,	2005	$ 78,835
	2006	49,700
	2007	23,798
	2008	5,229
	2009 and after	3,446
	Total	$ 161,008

The Company's net investment in direct financing and sales-type leases is collateral for non-recourse and recourse equipment notes. See Note 6.

INVESTMENT IN OPERATING LEASE EQUIPMENT

Investment in operating leases primarily represents equipment leased for two to three years and leases that are short-term renewals on month-to-month status. The components of the net investment in operating lease equipment are as follows:

	As of March 31, 2003	As of March 31, 2004
	(In Thousands)	
Cost of equipment under operating leases	$ 12,824	$ 27,985
Less: Accumulated depreciation and amortization	(4,049)	(8,108)
Investment in operating lease equipment, net	$ 8,775	$ 19,877

Future scheduled minimum lease rental payments as of March 31, 2004 are as follows:

		(In Thousands)
Year ending March 31,	2005	$ 7,060
	2006	4,657
	2007	3,860
	2008	1,760
	2009 and after	479
	Total	$ 17,816

3. RESERVES FOR CREDIT LOSSES

As of March 31, 2003 and 2004, the Company's reserve for credit losses was $6,753,431 and $4,730,015, respectively.

The Company's reserves for credit losses are segregated between our accounts receivable and our investment in direct financing leases as follows (in thousands):

	Accounts Receivable	Investment in Direct Financing Leases	Total
Balance April 1, 2002	$ 3,719	$ 3,052	$ 6,771
Provision for bad debts	176	440	616
Recoveries	(140)	-	(140)
Write-offs and other	(409)	(85)	(494)
Balance March 31, 2003	3,346	3,407	6,753
Provision for bad debts	23	24	47
Recoveries	-	-	-
Write-offs and other	(1,784)	(286)	(2,070)
Balance March 31, 2004	$ 1,585	$ 3,145	$ 4,730

Balances in "Write-offs and other" include actual write-offs and reclassifications from prior years.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	As of March 31, 2003 (In Thousands)	As of March 31, 2004 (In Thousands)
Furniture, fixtures and equipment	$ 6,118	$ 4,714
Vehicles	88	117
Capitalized software	5,924	6,842
Leasehold improvements	335	256
Less: Accumulated depreciation and amortization	(7,216)	(6,699)
Property and equipment, net	$ 5,249	$ 5,230

5. GOODWILL

As of March 31, 2004, the Company had goodwill, net of accumulated amortization, of $20.2 million, an increase of $1.1 million from March 31, 2003 as a result of the purchase of certain assets and liabilities of Digital Paper Corporation. As of March 31, 2003, the Company had goodwill, net of accumulated amortization, of $19.1 million which was subject to the transitional assessment provisions of SFAS No. 142. No goodwill amortization expense was recognized during the years ended March 31, 2002, 2003 and 2004.

As of March 31, 2003 and 2004, the Company has determined goodwill has not been impaired and that no potential impairment existed, based on testing performed on September 30, 2002 and 2003.

Changes in the carrying amount of goodwill for the years ended March 31, 2003 and 2004 are as follows:

	Financing Business Unit	Technology Sales Business Unit	Total
Goodwill (net) April 1, 2002	$ 6,994,679	$ 15,088,629	$ 22,083,308
Goodwill acquired during the period	-	22,984	22,984
Impairment losses during the period	-	-	-
Other adjustments during the period (1)	(2,965,915)	6,755	(2,959,160)
Goodwill (net), March 31, 2003	4,028,764	15,118,368	19,147,132
Goodwill acquired during the period	-	1,089,272	1,089,272
Impairment losses during the period	-	-	-
Other adjustments during the period	-	6,906	6,906
Goodwill (net), March 31, 2004	$ 4,028,764	$ 16,214,546	$ 20,243,310

(1) In the year ended March 31, 2003, Goodwill was reduced $2,965,915, which represented the results of a settlement between the Company and the seller of CLG, Inc., which was acquired on October 1, 1999.

6. RECOURSE AND NON-RECOURSE NOTES PAYABLE

Recourse and non-recourse obligations consist of the following:

	As of March 31, 2003	As of March 31, 2004
	(In Thousands)	
Recourse line of credit with a maximum balance of $33,000,000 bearing interest at prime less .5%	$ 2,726	$ -

Recourse line of credit of $45,000,000 carrying interest at LIBOR rate plus 175 basis ponts or, at the Company's option, the higher of prime rate or the federal funds rate plus 50 to 75 basis points expiring on July 21, 2006	-	-
Recourse equipment notes with varying interest rates ranging from 7.13% to 8.25%, secured by related investment in equipment	10	-
Recourse vehicle note with variable interest rate		6
Total recourse obligations	$ 2,736	$ 6
Non-recourse equipment notes secured by related investments in leases with interest rates ranging from 2.39% to 8.75% in fiscal years 2003 and 2004	$ 116,255	$ 117,857

Principal and interest payments on the recourse and non-recourse notes payable are generally due monthly in amounts that are approximately equal to the total payments due from the lessee under the leases that collateralize the notes payable. Under recourse financing, in the event of a default by a lessee, the lender has recourse against the lessee, the equipment serving as collateral, and the Company. Under non-recourse financing, in the event of a default by a lessee, the lender generally only has recourse against the lessee, and the equipment serving as collateral, but not against the Company.

Borrowings under the Company's $45 million line of credit are subject to certain covenants regarding minimum consolidated tangible net worth, maximum recourse debt to net worth ratio, cash flow coverage, and minimum interest expense coverage ratio. The borrowings are secured by the Company's assets such as leases, receivables, inventory, and equipment. Borrowings are limited to the Company's collateral base, consisting of equipment, lease receivables and other current assets, up to a maximum of $45 million. In addition, the credit agreement restricts, and under some circumstances prohibits, the payment of dividends.

Recourse and non-recourse notes payable as of March 31, 2004, mature as follows:

		Recourse Notes Payable	Non-recourse Notes Payable
		(In Thousands)	
Year ending March 31,	2005	$ 6	$ 63,118
	2006	-	33,031
	2007	-	14,617
	2008	-	5,289
	2009 and after	-	1,802
	Total	$ 6	$ 117,857

7. RELATED PARTY TRANSACTIONS

The Company provided loans and advances to employees, the balances of which amounted to $61,722 and $19,315 as of March 31, 2003 and 2004, respectively. Such balances are to be repaid from commissions earned on successful sales or financing arrangements obtained on behalf of the Company, or via payroll deductions.

Prior to April 1, 2001, the Company sold leased equipment to MLC/CLC LLC, a joint venture in which the Company has a 5% ownership interest. The Company recognized $147,305, $145,962, and $302,968 for the years ended March 31, 2002, 2003 and 2004 for accounting and administrative services provided to MLC/CLC LLC.
The Company leases certain office space from entities that are owned, in part, by executives of the Company. During the years ended March 31, 2002, 2003, and 2004, rent expense paid to these related parties was $274,600, $486,520, and $443,065, respectively.

8. COMMITMENTS AND CONTINGENCIES

The Company leases office space and certain office equipment for the conduct of its business. Rent expense relating to these operating leases was $1,984,833, $2,435,972, and $2,048,201 for the years ended March 31, 2002, 2003, and 2004, respectively. As of March 31, 2004, the future minimum lease payments are due as follows:

(In Thousands)			
Year Ending March 31,	2005	$	1,362
	2006		255
	2007		6
	2008		-
		$	1,623

9. INCOME TAXES

A reconciliation of income taxes computed at the statutory federal income tax rate to the provision for income taxes included in the consolidated statements of earnings is as follows:

	For the Year Ended March 31,		
	2002	2003	2004
	(In Thousands)		
Statutory federal income tax rate	34%	35%	35%
Income tax expense computed at the statutory federal rate	$ 5,073	$ 5,765	$ 6,023
State income tax expense, net of federal tax	939	876	975
Non-taxable interest income	(9)	(11)	(11)
Non-deductible expenses	7	130	69

	2002	2003	2004
Provision for income taxes	$ 6,010	$ 6,760	$ 7,056
Effective income tax rate	40.3%	41.0%	41.0%

The components of the provision for income taxes are as follows:

	For the Year Ended March 31, 2002	2003	2004
	(In Thousands)		
Current:			
Federal	$ 8,836	$ (3,008)	$ 22
State	2,335	(464)	1,741
	11,171	(3,472)	1,763
Deferred:			
Federal	(4,249)	8,421	5,535
State	(912)	1,811	(242)
	(5,161)	10,232	5,293
Provision for Income Taxes	$ 6,010	$ 6,760	$ 7,056

The components of the deferred tax (benefit) expense resulting from net temporary differences are as follows:

	For the Year Ended March 31, 2002	2003	2004
	(In Thousands)		
Lease revenue recognition	$ (3,639)	$ 6,649	$ 6,060
Other	(1,522)	3,583	(767)
	$ (5,161)	$ 10,232	$ 5,293

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of items comprising the Company's deferred tax asset (liability) consist of the following:

	For the Year Ended March 31, 2002	2003	2004
		(In Thousands)	
Lease revenue recognition	$ 798	$ (8,232)	$ (14,292)
Allowance for doubtful accounts and credit reserves	3,890	3,322	3,565
Other	784	150	674
	$ 5,472	$ (4,760)	$ (10,053)

10. NONCASH INVESTING AND FINANCING ACTIVITIES

The Company recognized a reduction in recourse and non-recourse notes payable (Note 6) associated with its direct finance and operating lease activities from payments made directly by customers to third-party lenders amounting to $13,431,543, $14,287,124 and $30,067,365 for the years ended March 31, 2002, 2003, and 2004, respectively. In addition, the Company realized a reduction in recourse and non-recourse notes payable from the sale of the associated assets and liabilities amounting to $6,255,282, $12,453,541 and $4,218,748 for the years ended March 31, 2002, 2003, and 2004, respectively.

11. BENEFIT AND STOCK OPTION PLANS

The Company provides its employees with contributory 401(k) profit sharing plans. To be eligible to participate in the plan, employees must be at least 21 years of age and have completed a minimum service requirement. Full vesting in the plans vary from after the fourth to the sixth consecutive year of plan participation. Employer contribution percentages are determined by the Company and are discretionary each year. The Company's expenses for the plans were $(242,877), $235,394 and $247,040 for the years ended March 31, 2002, 2003 and 2004, respectively.

The Company has established a stock incentive program (the "Master Stock Incentive Plan") to provide an opportunity for directors, executive officers, independent contractors, key employees, and other employees of the Company to participate in the ownership of the Company. The Master Stock Incentive Plan provides for awards to eligible directors, employees, and independent contractors of the Company, of a broad variety of stock-based compensation alternatives under a series of component plans. These component plans include tax advantaged incentive stock options for employees under the Incentive Stock Option Plan, formula length of service based nonqualified options to non-employee directors under the Outside Director Stock Plan, nonqualified stock options under the Nonqualified Stock Option Plan, a program for employee purchase of Common Stock of the Company at 85% of fair market value under a tax advantaged Employee Stock Purchase Plan approved by the Board of Directors and effective September 16, 1998 and which ended December 31, 2002, as well as other restrictive stock and performance-based stock awards and programs which may be established by the Board of Directors. The number that may be subject to options granted under the Incentive Stock Option Plan is capped at a maximum of 3,000,000 shares. As of March 31, 2004, a total of 2,243,409 shares of common stock have been reserved for issuance upon exercise of options granted under the Plan, which encompasses the following component plans:

a) the Incentive Stock Option Plan ("ISO Plan"), under which 1,785,904 options are outstanding or have been exercised as of March 31, 2004;

b) the Nonqualified Stock Option Plan ("Nonqualified Plan"), under which 260,000 options are outstanding as of March 31, 2004;

c) the Outside Director Stock Option Plan ("Outside Director Plan"), under which 53,707 are outstanding or have been exercised as of March 31, 2004;

d) the Employee Stock Purchase Plan ("ESPP") under which 143,798 shares have been issued as of March 31, 2004.

The exercise price of options granted under the Master Stock Incentive Plan is equivalent to the fair market value of the Company's stock on the date of grant, or, in the case of the ESPP, not less than 85% of the lowest fair market value of the Company's stock during the purchase period, which is generally six months. Options granted under the plan have various vesting schedules with vesting periods ranging from one to five years. The weighted average fair value of options granted during the years ended March 31, 2002, 2003 and 2004 was $5.14, $3.11 and $4.83 per share, respectively.

A summary of stock option activity during the three years ended March 31, 2004 is as follows:

	Number of Shares	Exercise Price Range	Weighted Average Exercise Price
Outstanding, April 1, 2001	1,716,285		
Options granted	728,150	$6.24 - $8.65	$ 6.83
Options exercised	(570)	$9.00	$ 9.00
Options forfeited	(263,280)	$6.24 - $17.38	$ 8.43
Outstanding, March 31, 2002	2,180,585		
Exercisable, March 31, 2002	1,249,245		
Outstanding, April 1, 2002	2,180,585		
Options granted	77,000	$6.23 - $6.97	$ 6.91

Options exercised	(39,850)	$6.24 - $9.00	$ 6.85
Options forfeited	(216,547)	$6.24 - $17.38	$ 10.35
Outstanding, March 31, 2003	2,001,188		
Exercisable, March 31, 2003	1,450,718		
Outstanding, April 1, 2003	2,001,188		
Options granted	78,000	$7.14 - $15.25	$ 10.10
Options exercised	(177,957)	$6.24 - $12.25	$ 8.06
Options forfeited	(114,999)	$6.86 - $17.38	$ 9.19
Outstanding, March 31, 2004	1,786,232		
Exercisable, March 31, 2004	1,514,557		

Additional information regarding options outstanding as of March 31, 2004 is as follows:

Options Outstanding			Options Exercisable	
Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
1,786,232	5.6 years	$9.24	1,514,557	$9.43

Effective April 1, 1996, the Company adopted SFAS No. 123, as amended by SFAS No. 148. The Company has the option of either (1) continuing to account for stock-based employee compensation plans in accordance with the guidelines established by APB Opinion No. 25, "Accounting for Stock Issued to Employees" while providing the disclosures required under SFAS No. 123, or (2) adopting SFAS No. 123 accounting for all employee and non-employee stock compensation arrangements. The Company opted to continue to account for its stock-based awards using the intrinsic value method in accordance with APB Opinion No. 25. Accordingly, no compensation expense has been recognized in the financial statements for employee stock arrangements.

	Year Ended March 31,		
	2002	2003	2004
Net earnings, as reported	$8,911,723	$9,712,709	$10,153,741
Stock based compensation expense	(3,125,488)	(3,653,928)	(2,454,303)
Net earnings, pro forma	$5,786,235	$6,058,781	$ 7,699,438
Basic earnings per share, as reported	$0.87	$0.97	$1.09
Basic earnings per share, pro forma	$0.56	$0.60	$0.83
Diluted earnings per share, as reported	$0.85	$0.96	$1.02
Diluted earnings per share, pro forma	$0.55	$0.60	$0.77

Under SFAS No. 123, the fair value of stock-based awards to employees is derived through the use of option pricing models that require a number of subjective assumptions. The Company's calculations were made using the Black-Scholes option-pricing model with the following weighted average assumptions:

	For the Year Ended March 31,		
	2002	2003	2004
Options granted under the Incentive Stock Option Plan:			
Expected life of option	5 years	5 years	5 years
Expected stock price volatility	92.44%	46.02%	39.76%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	4.13%	3.96%	2.96%

During the years ended March 31, 2002, 2003 and 2004, no options were granted under the Nonqualified Stock Option Plan or the Outside Director Stock Option Plan.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosure of the estimated fair value of the Company's financial instruments is in accordance with the provisions of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The valuation methods used by the Company are set forth below.

The accuracy and usefulness of the fair value information disclosed herein is limited by the following factors:

- These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

- These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holding of a particular financial asset.

- SFAS No. 107 excludes from its disclosure requirements lease contracts and various significant assets and liabilities that are not considered to be financial instruments.

Because of these and other limitations, the aggregate fair value amounts presented in the following table do not represent the underlying value of the Company. The Company determines the fair value of notes payable by applying an average portfolio debt rate and applying such rate to future cash flows of the respective financial instruments. The fair value of cash and cash equivalents is determined to equal the book value.

The carrying amounts and estimated fair values of the Company's financial instruments are as follows:

	As of March 31, 2003		As of March 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Assets:				
Cash and cash equivalents	$ 27,784	$ 27,784	$ 25,155	$ 25,155
Liabilities:				
Non-recourse notes payable	116,255	117,065	117,857	117,818
Recourse notes payable	2,736	2,736	6	6

13. SEGMENT REPORTING

The Company manages its business segments on the basis of the products and services offered. The Company's reportable segments consist of its traditional financing business unit and technology sales business unit. The financing business unit offers lease-financing solutions to corporations and governmental entities nationwide. The technology sales business unit sells information technology equipment and software and related services primarily to corporate customers on a nationwide basis. The technology sales business unit also provides Internet-based business-to-business supply chain management solutions for information technology and other operating resources. The Company evaluates segment performance on the basis of segment net earnings.

Both segments utilize the Company's proprietary software and services throughout the organization. Sales and services and related costs of e-procurement software are included in the technology sales business unit. Income relative to services generated by our proprietary software and services are included in the financing business unit.

The accounting policies of the segments are the same as those described in Note 1, "Organization and Summary of Significant Accounting Policies." Corporate overhead expenses are allocated on the basis of revenue volume, estimates of actual time spent by corporate staff, and asset utilization, depending on the type of expense.

	Financing Business Unit	Technology Sales Business Unit	Total
Twelve months ended March 31, 2002			
Sales of product	$ 1,057,862	$ 131,950,516	$ 133,008,378
Sales of leased equipment	9,353,088	-	9,353,088
Lease revenues	48,850,017	-	48,850,017
Fee and other income	10,085,448	3,688,415	13,773,863
Total Revenues	69,346,415	135,638,931	204,985,346
Cost of sales	11,872,337	111,725,742	123,598,079
Direct lease costs	9,578,631	-	9,578,631
Selling, general and administrative expenses	22,500,221	22,576,480	45,076,701

Segment earnings	25,395,226	1,336,709	26,731,935
Interest expense	11,156,721	653,693	11,810,414
Earnings before income taxes	$ 14,238,505	$ 638,016	$ 14,921,521
Assets	$ 228,505,936	$ 50,489,618	$ 278,995,554
Twelve months ended March 31, 2003			
Sales of product	$ 2,007,743	$ 226,762,223	$ 228,769,966
Sales of leased equipment	6,095,830	-	6,095,830
Lease revenues	50,520,293	-	50,520,293
Fee and other income	10,190,392	4,069,665	14,260,057
Total Revenues	68,814,259	230,831,887	299,646,146
Cost of sales	9,391,356	197,777,433	207,168,789
Direct lease costs	6,582,409	-	6,582,409
Selling, general and administrative expenses	26,848,899	34,265,407	61,114,306
Segment earnings	25,991,595	(1,210,953)	24,780,642
Interest expense	7,832,220	476,162	8,308,382
Earnings before income taxes	$ 18,159,375	$ (1,687,115)	$ 16,472,260
Assets	$ 226,238,171	$ 52,702,516	$ 278,940,686
Twelve months ended March 31, 2004			
Sales of product	$ 3,321,050	$ 264,577,887	$ 267,898,937
Lease revenues	51,253,518	-	51,253,518
Fee and other income	4,589,846	6,815,187	11,405,033
Total Revenues	59,164,414	271,393,074	330,557,488
Cost of sales	2,822,985	233,460,365	236,283,350
Direct lease costs	10,560,586	-	10,560,586
Selling, general and administrative expenses	22,874,439	36,782,311	59,656,750
Segment earnings	22,906,404	1,150,398	24,056,802
Interest expense	6,692,271	154,801	6,847,072
Earnings before income taxes	$ 16,214,133	$ 995,597	$ 17,209,730
Assets	$ 238,631,864	$ 55,570,226	$ 294,202,090

14. QUARTERLY DATA – UNAUDITED

Condensed quarterly financial information is as follows (amounts in thousands, except per share amounts). Adjustments reflect the reclassification of certain prior period amounts to conform to current period presentation.

	First Quarter			**Second Quarter**		
	Previously Reported	Adjustments	Adjusted Amount	Previously Reported	Adjustments	Adjusted Amount
Year Ended March 31, 2003						
Sales	$ 55,243	$(2,356)	$ 52,887	$ 64,296	$1,810	$66,106
Total Revenues	72,175	-	72,175	82,329	-	82,329

Cost of Sales	49,924	(3,741)	46,183	57,002	593	57,595
Total Costs and Expenses	68,826	-	68,826	78,018	-	78,018
Earnings before provision for income taxes	3,349	-	3,349	4,311	-	4,311
Provision for income taxes	1,373	-	1,373	1,766	-	1,766
Net earnings	1,976	-	1,976	2,545	-	2,545
Net earnings per common share-Basic (1)	$ 0.19		$ 0.19	$ 0.25		$ 0.25
Net earnings per common share-Diluted (1)			$ 0.19			$ 0.25
Year Ended March 31, 2004						
Sales	$ 65,296	$ (3)	$ 65,293	$ 70,380	$ -	$70,380
Total Revenues	79,868	(34)	79,834	85,637	-	85,637
Cost of Sales	57,512	(4)	57,508	62,364	-	62,364
Total Costs and Expenses	76,086	(33)	76,053	81,071	-	81,071
Earnings before provision for income taxes	3,781	-	3,781	4,566	-	4,566
Provision for income taxes	1,478	-	1,478	1,861	-	1,861
Net earnings	2,303	-	2,303	2,705	-	2,705
Net earnings per common share-Basic (1)	$ 0.24		$ 0.24	$ 0.29		$ 0.29
Net earnings per common share-Diluted (1)			$ 0.24			$ 0.27

	Third Quarter			**Fourth Quarter**		
	Previously Reported	Adjustments	Adjusted Amount	Previously Reported	Adjustments	Adjusted Amount
Year Ended March 31, 2003						
Sales	$ 53,785	$1,674	$ 55,459	$ 51,981	$2,337	$54,318
Total Revenues	73,264	-	73,264	72,547	(669)	71,878
Cost of Sales	48,934	85	49,019	48,488	(8)	48,480
Total Costs and Expenses	68,868	-	68,868	68,131	(669)	67,462
Earnings before provision for income taxes	4,396	-	4,396	4,416	-	4,416
Provision for income taxes	1,802	-	1,802	1,818	-	1,818
Net earnings	2,594	-	2,594	2,598	-	2,598
Net earnings per common share-Basic (1)	$ 0.26		$ 0.26	$ 0.27		$ 0.27
Net earnings per common share- Diluted (1)			$ 0.26			$ 0.27
Year Ended March 31, 2004						
Sales	$ 63,325	$ -	$ 63,325	$ 68,901	$ -	$ 68,901
Total Revenues	79,800	-	79,800	85,286	-	85,286
Cost of Sales	55,763	-	55,763	60,648	-	60,648
Total Costs and Expenses	75,478	-	75,478	80,746	-	80,746
Earnings before provision for income taxes	4,323	-	4,323	4,540	-	4,540
Provision for income taxes	1,729	-	1,729	1,988	-	1,988
Net earnings	2,594	-	2,594	2,552	-	2,552
Net earnings per common share-Basic (1)	$ 0.28		$ 0.28	$ 0.28		$ 0.28
Net earnings per common share-Diluted (1)			$ 0.26			$ 0.26

(1) The sum of quarterly amounts may not equal the annual amount due to quarterly calculations being based on varying weighted average shares outstanding.

15. SUBSEQUENT EVENT

On May 28, 2004, ePlus purchased certain assets and assumed certain liabilities of Manchester Technologies, Inc. for total consideration of $5.2 million. The purchase was made by ePlus Technology, inc., a wholly-owned subsidiary of ePlus inc. The acquisition will add to our IT reseller and professional services business. Approximately 125 former Manchester Technologies, Inc. personnel will be hired by ePlus as part of the transaction and are located in 3 established offices in metropolitan New York, South Florida and Baltimore.

SCHEDULE II

*e*Plus inc. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
For the years ended March 31, 2002, 2003, and 2004
(In Thousands)

		Additions		Deductions	
Description	Balance at beginning of period	(1) Charged to costs and expenses	(2) Charged to other accounts	Write-offs	Balance at end of period
2004 Allowance for doubtful accounts and credit loss	$6,753	$ 47	$ 14	($2,084)	$4,730
2003 Allowance for doubtful accounts and credit loss	$6,771	$ 616	($ 494)	($ 140)	$6,753
2002 Allowance for doubtful accounts and credit loss	$4,279	$1,489	$1,187	($ 184)	$6,771

Exhibit 21

Subsidiaries of the Company
----

*e*Plus Group, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary

*e*Plus Technology, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary

*e*Plus Government, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary

*e*Plus Capital, inc., a State of Delaware corporation, a wholly-owned subsidiary

*e*Plus Content Services, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary

*e*Plus Systems, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary

*e*Plus Canada Company, registered in Canada, a wholly-owned subsidiary of *e*Plus Capital, inc.

MLC Leasing, SA. de CV., registered in Mexico, a wholly-owned subsidiary of *e*Plus Group, inc. and *e*Plus Technology, inc.

*e*Plus Document Systems, inc., a Commonwealth of Virginia corporation, a wholly-owned subsidiary

*e*Plus Information Holdings, inc., a Commonwealth of Virginia, a wholly-owned subsidiary

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-91909 of ePlus inc. on Form S-8 of our report dated June 14, 2004, appearing in the Annual Report on Form 10-K of ePlus inc. for the year ended March 31, 2004.

/s/ DELOITTE & TOUCHE LLP

McLean Virginia
June 15, 2004

EXHIBIT 31.1

CERTIFICATION

I, Phillip G. Norton, certify that:

1. I have reviewed this annual report on Form 10-K of ePlus, inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 15, 2004

/s/ PHILLIP G. NORTON
Phillip G. Norton
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Steve J. Mencarni, certify that:

1. I have reviewed this annual report on Form 10-K of ePlus, inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 15, 2004

/s/ STEVEN J. MENCARINI
Steven J. Mencarini
Chief Financial Officer

EXHIBIT 32

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of ePlus, inc. (the “Company”) on Form 10-K for the year ended March 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the undersigned’s best knowledge and belief:

(a) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 15, 2004

ePlus, inc.
(“Company”)

/S/ PHILLIP G. NORTON

Phillip G. Norton
Chief Executive Officer

/S/ STEVEN J. MENCARINI

Steven J. Mencarini
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Contacts

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