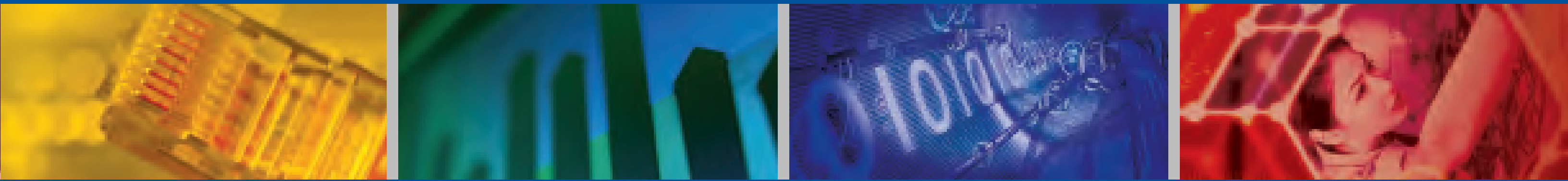
*e*Plus® inc.

2005 annual report



e+

*e*Plus Enterprise Cost Management® (*e*ECM®)

Software

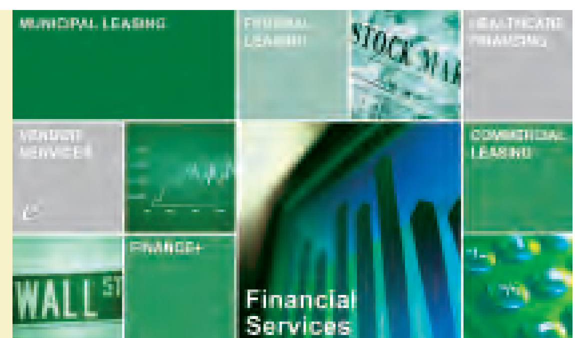
+ Product and Catalog Content Management
+ Supplier Enablement
+ eProcurement
+ Asset Management
+ Spend Analysis and Management
+ Document Access and Collaboration

Business Services and Solutions

+ Outsourced Procurement Services
+ Integrated Procurement and Asset Management
+ Compliance and IT Asset Management
+ Operations Consulting
+ Custom Software Design and Development
+ On-Site, On-Shore, and Off-Shore Enterprise Application Development Services

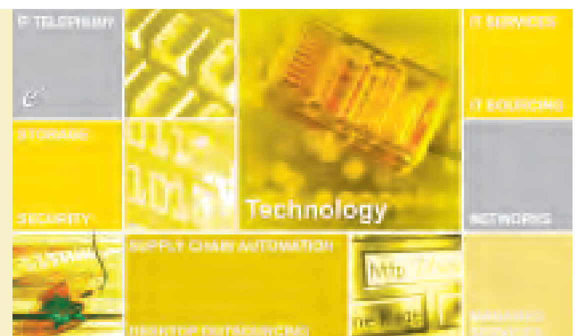
Financial Services

+ Leasing and Financial Solutions
+ Commercial, Federal, and Municipal Leasing
+ Healthcare Industry Financing
+ Bank Programs
+ Vendor Services
+ Lease Process Automation



*e*Plus Technology

+ IT Services and Sourcing
+ Security, Storage, and Networks
+ IP Telephony
+ Managed Services
+ IT Outsourcing
+ Supply Chain Automation
+ Wireless/Mobile Communication and Computing Solutions



JULY 2005

To Our Shareholders:

2005 WAS A YEAR OF RECORDS FOR *e*PLUS — WE ACHIEVED RECORD REVENUES of $576 million (up 74% over 2004), record net earnings of $25.3 million (up 149% over 2004), and record earnings per share of $2.68 (up 164% over 2004). A significant factor of the increase in net earnings and earnings per share for the year was a $37 million payment received in settlement of a patent infringement lawsuit. In our 15th consecutive year of positive earnings and strong cash flow, we finished with almost $39 million of cash and cash equivalents, and we repurchased almost 450,000 shares of stock during the year. Since the stock repurchase program's inception a few years ago, we have repurchased more than 2.2 million shares to reduce our outstanding share total to 8.6 million.

OUR GROWTH IN 2005 WAS SUBSTANTIALLY GREATER THAN OUR INDUSTRY and is a direct result of our focus on providing customers with a unique solution set called Enterprise Cost Management. We hire the best people, provide great training and tools, and then give them the support needed to serve customers better than our competitors. We believe our set of direct product sales, advanced technology services, and patented software provides a unique solution to customers and sets *e*Plus apart from the competition.

IN DECEMBER WE MOVED TO A NEW CORPORATE HEADQUARTERS BUILDING, allowing us to showcase our advanced technology services and patent-pending Serverless Office. Our state-of-the-art facility provides much needed room for growth and furthers our commitment to provide our associates with the best tools, resources, and environment. We have always applied a successful go-to-market strategy of using internally what we sell to customers, and our new headquarters is a strong demonstration of our capabilities in the areas of Internet telephony, server consolidation, and network design and implementation.

WE COMPLETED THE ACQUISITION AND INTEGRATION of Manchester Technology's IT sales and services business during 2005. We retained Manchester's significant customers, and welcomed their most valued employees to *e*Plus with new office locations and a vast array of exciting new solutions to sell. A success on all fronts, the acquisition was the first to demonstrate the capability of our Network of the Future and Serverless Office solutions as well as our centralized administration structure. And like all of our acquisitions, we gained great new customers, new capabilities, and a major presence in new geographic markets — in this case, metropolitan New York, Baltimore, and Florida.

WE ALSO GREW ORGANICALLY IN 2005. In fact, about 50% of our growth resulted from increased sales from existing customers. In Cisco equipment and services alone revenues more than tripled, and we became one of Cisco's national partners. We continue to build world-class professional services capabilities to serve our customers in areas such as IP Telephony, server consolidation, and business continuity — strengthening our vendor relationships. We have become a 'go-to' partner in many markets for major Tier 1 vendors such as Cisco, HP, IBM, and Microsoft, and we are creating terrific opportunities for the future.

IN 2005 WE SUCCESSFULLY PROSECUTED A PATENT INFRINGEMENT LAWSUIT against a formidable competitor. *e*Plus received a $37 million cash settlement after a favorable jury verdict finding that *e*Plus' three patents were willfully infringed and not invalid. We continue to invest in our growing portfolio of intellectual property and related software and business process solutions that incorporate our patents. Our software and intellectual property have applicability in all aspects of our business and give us a competitive edge in our IT sales, services, and leasing businesses. They are the result of many years of dedication, substantial investment, and early innovation to meet the needs of our customers in numerous markets, and we will defend them vigorously.

continued

Today ePlus is a stronger, more nimble, and more process-oriented company, better able to handle growth and capitalize on marketplace opportunities.

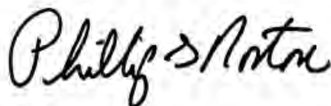
OUR SOFTWARE BUSINESS CONTINUED TO BE SUCCESSFUL, winning customers such as PepsiCo, Cisco Systems, Deaconess Health Systems, and Purdue University. While the sales cycle in the business was adversely affected by the patent lawsuit, our pipeline increased substantially after the settlement. Our focus has been on ensuring quality and improving customer satisfaction to increase upgrade, add-on, and new module sales, and we hosted our first customer summit in October. We introduced a number of new products and upgrades in 2005 — Procure+ v 6.7, Spend+ Visual Engine, and Content+ Supplier Portal — and we are making significant investments to meet the market opportunity for on-demand architecture. The on-demand market plays to ePlus' key strengths as we have always delivered our solutions to best fit a customer's requirements — enterprise, hosted, or as a fully outsourced service — and we have a number of modular products and solutions that can be integrated to create a customized solution. The on-demand marketplace should prove to be a great opportunity for ePlus.

OUR LEASING COMPANY MAINTAINED ITS ASSET BASE in a very competitive market and is poised for growth as capital equipment expenditures increase in a rising interest rate environment. We continue to focus on several verticals — IT equipment, healthcare, and government leasing. In the commercial markets, our Enterprise Cost Management approach continues to set us apart from the competition by delivering total lifecycle management. Our software is a key differentiator and is utilized by customers who want a comprehensive financial and asset management solution. To capture the opportunity within our own customer base, we are introducing a small ticket program for IT sales and expanding the staff in our healthcare financing unit. Federal leasing volume, which is highly dependent on the federal government budgeting processes, was down for the year but we believe its long term prospects are positive.

2005 WAS A PERIOD OF INTENSE AND PRODUCTIVE CHANGE in the evolution of ePlus. We experienced high revenue growth, the largest acquisition to date and related costs, a time-consuming patent infringement lawsuit, and a major project to meet the requirements of Section 404 of the Sarbanes-Oxley Act. The direct and indirect costs of our SOX compliance efforts will create long term benefits for ePlus as we have re-engineered many processes to create better efficiencies and reduce costs. Today ePlus is a stronger, more nimble, and more process-oriented company, better able to handle growth and capitalize on marketplace opportunities.

LOOKING FORWARD, WE BELIEVE A PRIMARY DRIVER IN THE MARKET is process and administrative efficiencies and reducing costs. Our customers seek a comprehensive lifecycle approach to their IT and indirect supply chains. They want one vendor to provide a modularized solution for procurement, supplier enablement, electronic consolidated statements and billing, total lifecycle and asset management, electronic payment, and leasing options. Most importantly, they want these services from a single, independent provider in order to retain the data necessary to utilize best practices in spend management and strategic sourcing. ePlus delivers a unique blend of IT products and services, software, business process outsourcing, and financing to address these needs. These elements are the foundation of Enterprise Cost Management, and we believe it is the best solution in the marketplace.

ON BEHALF OF ePLUS, I WOULD LIKE TO THANK our employees, customers, and investors for your confidence and continuing support of ePlus.



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, 2005

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.)

13595 Dulles Technology Drive, Herndon, VA 20171-3413
(Address, including zip code, of principal offices)

Registrant's telephone number, including area code: (703) 984-8400

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, 2004 was $44,912,525. The outstanding number of shares of common stock of the Company as of June 21, 2005, was 8,584,692.

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 "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements are not based on historical fact, but are based upon numerous assumptions about future conditions that may not occur. Forward-looking statements are generally identifiable by the use of forward-looking words such as "may," "will," "should," "intend," "estimate," "believe," "expect," "anticipate," "project," and similar expressions. 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 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.

Although we have been in the business of financing since 1990 and selling information technology equipment since 1999, the Company expects to attain future revenue growth through its *e*Plus Enterprise Cost Management ("*e*ECM") service offering. As a result, the Company will continue to 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 portion of its growth 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 *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:

- significant enhancement of the features and services of *e*ECM services is needed to achieve widespread commercial initial and continued acceptance of the system;
- operating resource management and procurement on the Internet is an evolving market;
- the system's ability to support large numbers of buyers and suppliers is unproven;
- 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 enterprise resource planning (ERP) software or 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 and external development costs are 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.;
- *e*Plus Information Holdings, inc.; and
- ePlus Government Services, 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 will conduct 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. On April 2, 2004, ePlus Government Services, 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 2001. 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 ePlus Technology, inc. upon acquisition; subsequently moved the consulting group to ePlus Systems, inc.)	Metro New York, South Florida and Baltimore	Purchase	$5,000,000 in cash plus the assumption of certain liabilities
October 10, 2003	Certain assets and liabilities from Digital Paper Corporation (merged into ePlus Document Systems, inc. upon acquisition)	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 service 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

OUR BUSINESS

*e*Plus has developed its *e*ECM model through development and acquisition of software, product sales, technology services, 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 have been providing software for over five years. We currently derive the majority of our revenues from IT product sales and leasing. 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 has positioned *e*ECM to provide its comprehensive offering of products and services to our target market of middle-sized 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.

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 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 the 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

*e*Plus provides information technology product sales, professional services, leasing and software in a solution it has branded as ePlus Enterprise Cost Management. The solution is designed to provide a 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 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 2,700 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

As of March 31, 2005, we had 211 employees in our sales and marketing function, which represents an increase compared to the previous year of 178 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 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")

*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*+, ePlus Leasing, Content+, IT sales and service and business process outsourcing. These combined services and software offerings are integrated so that each component links with and shares information. Procure+, Manage+, and Content+ are the key parts of software solution offerings and ePlus Leasing, strategic sourcing and business our process outsourcing are the services provided by us.

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, to automate unnecessary manual processes, and to improve leverage with suppliers. Procur*e*+ is available as a stand-alone license or as a remotely-hosted solution under a subscription fee arrangement.

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 Procure+ 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. Manage+ 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 that we have obtained 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 primarily on 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, 2005 our sales organization included 211 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 three electronic sourcing systems patents and two document management patents in the United States. We also have patents in nine European countries, Mexico, and China. The three US patents for electronic sourcing systems have been determined to be valid and enforceable by a jury. However, 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, Digital Paper, Intranetdocs, OneSource, Content+, eECM, and ePlus Enterprise Cost Management We also have over twenty registered copyrights and additional common-law trademarks and copyrights.

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.

SALES ACTIVITIES AND FINANCING

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.

Sales. We are an authorized reseller of, or have the right to resell products and services from, over 400 manufacturers. Our largest manufacturer relationships include HP, IBM, Cisco, and Microsoft Corporation. Tech Data and Ingram Micro, Inc. are our largest distributors. We have multiple vendor authorizations in various IT disciplines 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, which 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.

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, non-profit 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.

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.

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, 2005, we provided for $1,131,412 in credit losses and incurred actual credit losses of $496,975. During the fiscal year ended March 31, 2004 we provided for $46,663 in credit losses and incurred actual credit losses of $2,058,035.

COMPETITION

The market for leasing, IT sales and services and software services is intensely competitive, subject to economic conditions and rapid change, and is 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 Procure*+*, Manage*+*, Content+, *e*Plus Leasing, strategic sourcing, document management software and business process outsourcing.

EMPLOYEES

As of March 31, 2005, we employed 637 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 that we have a good relationship with our employees. The functional areas of our employees are as follows:

	Number of Employees
Sales and Marketing	211
Technical Support	153
Administrative	176
Software and Implementations	91
Executive	6

U.S. SECURITIES AND EXCHANGE COMMISSION 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 Compete Effectively

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 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.

Costs to Protect Our Patents May Effect Our Earnings

The legal and associated costs to protect our patents may have a material adverse effect on our business, operating results and financial condition. We may deem it necessary to protect the Company's intellectual property rights and significant expenses could be incurred with no certainty of the results of these potential actions. Costs relative to lawsuits are usually expensed in the periods as they occur and there is no certainty in recouping any of the amounts expended, regardless of the outcome of any action.

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 direct financing 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 bad debt 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 sales. 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.

Our Disclosure Controls and Procedures and our Internal Controls over Financial Reporting may not be Effective to Detect all Errors or to Detect and Deter Wrongdoing, Fraud or Improper Activities in all Instances

Our management, including our Chief Executive Officer and Chief Financial Officer, cannot ensure that our disclosure controls and procedures or our internal controls over financial reporting will prevent all errors and fraud. In designing our control systems, management recognizes that any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives. Further, the design of a control system must reflect the necessity of considering the cost-benefit relationship of possible controls and procedures. Because of inherent limitations in any control system, no evaluation of controls can provide absolute assurance that all control issues and instances of wrongdoing, if any, that may affect our operations have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, that breakdowns can occur because of simple error or mistakes and that controls may be circumvented by individual acts by some person, by collusion of two or more people or by management's override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of a potential future event, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in cost-effective control systems, misstatements due to error or wrongdoing may occur and not be detected. Over time, it is also possible that controls may become inadequate because of changes in conditions that could not be, or were not, anticipated at inception or at subsequent review of the control system.

Treating Stock Options and Employee Stock Purchase Plan Participation As a Compensation Expense Could Significantly Impair Our Ability to Maintain Profitability

The Financial Accounting Standards Board has begun requiring some companies to record compensation expense regarding stock options and participation in employee stock purchase plans. We grant stock options to our employees, officers and directors and we administered an employee stock purchase plan (ESPP) which ended December 31, 2002. Information on our stock option plan and ESPP, including the shares reserved for issuance under those plans, the terms of options granted, and the shares subject to outstanding stock options, is included in Note

11 of the Notes to Consolidated Financial Statements. The current Financial Accounting Standards Board guidance is that, effective for our fiscal year starting April 1, 2006, we will have to begin expensing stock options. When we are required to record an expense for our stock-based compensation plans, we could incur a significant compensation expense, and any such expense could significantly impair our ability to return to and maintain profitability on a GAAP basis. That impact on our ability to maintain profitability on a GAAP basis could have a material adverse effect on the market price of the Company's common stock.

Our Assessment As to the Adequacy of Our Internal Controls Over Financial Reporting as Required by Section 404 of the Sarbanes-Oxley Act of 2002 May Cause Our Operating Expenses to Increase. If We Are Unable to Certify the Adequacy of Our Internal Controls and Our Independent Auditors Are Unable to Attest Thereto, Investors Could Lose Confidence in the Reliability of Our Financial Statements, Which Could Result in a Decrease in the Value of the Company's Common Stock.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the Securities and Exchange Commission adopted rules requiring public companies to include a report of management on the company's internal control over financial reporting in their annual reports on Form 10-K. We expect that these rules will first apply to ePlus with respect to our fiscal year ending March 31, 2006. To comply with the Sarbanes-Oxley Act and the SEC's new rules and regulations, we are evaluating our internal control systems and taking remedial actions to allow management to report on, and our independent auditors to attest to, our internal control over financial reporting. As a result, we have incurred expenses, and expect to incur additional expenses, and diversion of management's time and attention, which may increase our operating expenses and impair our ability to sustain profitability on a pro forma basis and achieve profitability on a GAAP basis. While we are endeavoring to implement the requirements relating to internal controls and all other aspects of Section 404 in a timely manner, there can be no assurance that we will be able to maintain our schedule to complete all assessment and testing in a timely manner and, if we do not, that we and our independent auditors will have the resources available to complete necessary assessment and reporting on internal controls on a timely basis. Further, we cannot be certain that our testing of internal controls and resulting remediation actions will yield adequate internal controls over financial reporting as required by Section 404. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, there could be an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements, which could cause the market price of the Company's common stock to decline.

ITEM 2. PROPERTIES

The Company operates from 33 office locations. Our total leased square footage is approximately 166,277 square feet for which we incur rent of approximately $206,000 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, 2005, the square footage and the general office functions.

Location	Company	Employees	Square Footage	Function
Herndon, VA	*e*Plus Group, inc. *e*Plus Technology, inc. *e*Plus Government, inc. *e*Plus Document Systems, inc.	253	50,232	Corporate and subsidiary headquarters, sales office, technical support and warehouse
Robbinsville, NJ	*e*Plus Technology, inc.	25	9,563	Sales office and technical support
Pottstown, PA	*e*Plus Technology, inc.	44	12,853	Sales office, technical support and warehouse
Sunnyvale, CA	*e*Plus Technology, inc.	32	11,200	Sales office, technical support and warehouse
Wilmington, NC	*e*Plus Technology, inc.	25	6,068	Sales office and technical support
Raleigh, NC	*e*Plus Group, inc. *e*Plus Technology, inc.	27	8,638	Sales office-shared and technical support
Avon, CT	*e*Plus Systems, inc.	12	4,807	Subsidiary headquarters, sales office and technical development
Houston, TX	*e*Plus Content Services, inc.	21	4,000	Subsidiary headquarters, sales office and e-commerce catalog service center
Canton, MA	*e*Plus Technology, inc.	28	6,228	Sales office and technical support
New York, NY	*e*Plus Technology, inc.	18	5,121	Sales office and technical support
Elkridge, MD	*e*Plus Technology, inc.	19	5,092	Sales office and technical support
Boca Raton, FL	*e*Plus Technology, inc.	6	3,214	Sales office and technical support
Hauppauge, NY	*e*Plus Technology, inc.	42	23,700	Sales office and technical support
Pittsford, NY	*e*Plus Systems, inc.	47	5,493	Sales office and technical development
Other locations		38	10,068	Sales offices and technical support

The largest location is Herndon, VA, which has a lease expiration date of December 31, 2009.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in three lawsuits arising from four separate leasing schedules with a lessee named Cyberco Holdings, Inc. ("Cyberco"). The Cyberco principals were allegedly perpetrating a scam. Cyberco, related affiliates, and at least one principal are in Chapter 7 bankruptcy, and no future lease payments are expected. The first two lawsuits, both in the U.S.D.C. for the Southern District of New York, involve three of the schedules, which the Company had assigned on a non-recourse basis to GMAC Commercial Finance, LLC ("GMAC"). GMAC filed suit against the Company seeking repayment of the underlying non-recourse promissory note, which is approximately $10,646,000. The same day, ePlus filed suit against GMAC, Travelers Property Casualty Company of America ("Travelers") and Banc of America Leasing and Capital, LLC ("BoA"), seeking a declaratory judgment that any potential liability is covered by the Company's liability policy with Travelers, and that the Company has no liability to GMAC or BoA. The two cases have been administratively consolidated, and the Company subsequently dismissed BoA from the suit. The suits are proceeding between the Company, GMAC and Travelers, and are in the discovery phase. The Company continues to believe that it has no liability to GMAC, and that Travelers is responsible for the costs of defense and any potential judgment.

The third lawsuit, which stems from the remaining schedule between Cyberco and the Company, is between BoA and the Company in the Circuit Court for Fairfax County, Virginia. The Company sold the schedule to BoA under a Program Agreement. BoA seeks to recover its loss of approximately $3,063,000. The Company believes that it has no liability to BoA, and that Travelers is responsible for the costs of defense and any potential judgment.

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, 2003 through March 31, 2005, by quarter.

Quarter Ended	High	Low
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
June 30, 2004	$12.98	$9.97
September 30, 2004	$11.58	$8.80
December 31, 2004	$12.80	$9.32
March 31, 2005	$17.14	$11.01

On June 14, 2005, the closing price of the common stock was $12.73 per share. On June 22, 2005, there were 182 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 fiscal year ended March 31, 2005:

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
April 1, 2004 through April 30, 2004	35,000	$12.62	35,000	- (2)

May 1, 2004 through May 31, 2004	4,000	$12.69	4,000	394,268	(3)
June 1, 2004 through June 30, 2004	-	$ -	-	392,281	(4)
July 1, 2004 through July 31, 2004	-	$ -	-	456,826	(5)
August 1, 2004 through August 31, 2004	-	$ -	-	434,459	(6)
September 1, 2004 through September 30, 2004	-	$ -	-	417,336	(7)
October 1, 2004 through October 31, 2004	-	$ -	-	-	(8)
November 1, 2004 through November 30, 2004	-	$ -	-	677,997	(9)
December 1, 2004 through December 31, 2004	19,032	$10.97	19,032	613,487	(10)
January 1, 2005 through January 31, 2005	101,224	$12.21	101,224	493,581	(11)
February 1, 2005 through February 28, 2005	6,000	$12.14	6,000	444,695	(12)
March 1, 2005 through March 31, 2005	283,360	$13.01	283,360	583,898	(13)

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

(2) The share purchase authorization in place for the month ended April 30, 2004 had purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($7,500,000). As of April 30, 2004, the remaining authorized dollar amount to purchase shares was $0.

(3) The share purchase authorization in place for the month ended May 31, 2004 had purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($12,000,000). As of May 31, 2004, the remaining authorized dollar amount to purchase shares was $4,436,694 and, based on May's average price per share of $11.253, 394,268 represents the maximum shares that may yet be purchased.

(4) The share purchase authorization in place for the month ended June 30, 2004 had purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($12,000,000). As of June 30, 2004, the remaining authorized dollar amount to purchase shares was $4,436,694 and, based on June's average price per share of $11.310, 392,281 represents the maximum shares that may yet be purchased.

(5) The share purchase authorization in place for the month ended July 31, 2004 had purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($12,000,000). As of July 31, 2004, the remaining authorized dollar amount to purchase shares was $4,436,694 and, based on July's average price per share of $9.712, 456,826 represents the maximum shares that may yet be purchased.

(6) The share purchase authorization in place for the month ended August 31, 2004 had purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($12,000,000). As of August 31, 2004, the remaining authorized dollar amount to purchase shares was $4,436,694 and, based on August's average price per share of $10.212, 434,459 represents the maximum shares that may yet be purchased.

(7) The share purchase authorization in place for the month ended September 30, 2004 has purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($12,000,000). As of September 30, 2004, the remaining authorized dollar amount to purchase shares was $4,436,694 and, based on September's average price per share of $10.631, 417,336 represents the maximum shares that may yet be purchased.

(8) No stock repurchase plan was in effect from October 1, 2004 through November 16, 2004.

(9) The share purchase authorization in place for the month ended November 30, 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 November 30, 2004, the remaining authorized dollar amount to purchase shares was $7,500,000 and, based on November's average price per share of $11.062, 677,997 represents the maximum shares that may yet be purchased.

(10) The share purchase authorization in place for the month ended December 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 December 31, 2004, the remaining authorized dollar amount to purchase shares was $7,291,295 and, based on December's average price per share of $11.885, 613,487 represents the maximum shares that may yet be purchased.

(11) The share purchase authorization in place for the month ended January 31, 2005 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, 2005, the remaining authorized dollar amount to purchase shares was $6,055,747 and, based on January's average price per share of $12.269, 493,581 represents the maximum shares that may yet be purchased.

(12) The share purchase authorization in place for the month ended February 28, 2005 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 28, 2005, the remaining authorized dollar amount to purchase shares was $5,982,927 and, based on February's average per share of $13.454, 444,695 represents the maximum shares that may yet be purchased.

(13) The share purchase authorization in place for the month ended March 31, 2005 has purchase limitations on both the number of shares (3,000,000) as well as a total dollar cap ($12,500,000). As of March 31, 2005, the remaining authorized dollar amount to purchase shares was $7,297,558 and, based on March's average price per share of $12.498, 583,898 represents the maximum shares that may yet be purchased.

The timing and expiration date of the stock repurchase authorizations are included in Note 1 to the Consolidated Financial Statements.

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, 2005, 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	2,166,182	$9.43	283,341
Equity compensation plans not approved by security holders	-	-	-
Total	2,166,182	$9.43	283,341

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, 2003, 2004 and 2005" and "Item 1. Business."

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

	Year Ended March 31,				
	2001	2002	2003	2004	2005
CONSOLIDATED STATEMENTS OF EARNINGS					
Revenues:					
Sales of product	$ 219,795	$ 133,008	$ 228,770	$ 267,899	$ 480,970
Sales of leased equipment	34,031	9,353	6,096	-	-
Lease revenues	42,694	48,850	50,520	51,254	46,344
Fee and other income	10,066	13,774	14,260	11,405	48,484
Total revenues	306,586	204,985	299,646	330,558	575,798
Costs and Expenses:					
Cost of sales of product	184,302	114,554	201,277	236,283	432,774
Cost of sales of leased equipment	33,329	9,044	5,892	-	-
Direct lease costs	16,535	9,579	6,582	10,561	11,509
Professional and other costs	3,363	2,718	3,188	3,701	9,417
Salaries and benefits	29,042	30,165	43,428	41,325	54,858
General and administrative expenses	10,507	12,193	14,499	14,631	18,253
Interest and financing costs	15,523	11,810	8,308	6,847	5,981
Total costs and expenses	292,601	190,063	283,174	313,348	532,792
Earnings before provision for income taxes	13,985	14,922	16,472	17,210	43,006
Provision for income taxes	5,667	6,010	6,760	7,056	17,718
Net earnings	$ 8,318	$ 8,912	$ 9,712	$ 10,154	$ 25,288
Net earnings per common share - Basic	$ 0.86	$ 0.87	$ 0.97	$ 1.09	$ 2.84
Net earnings per common share - Diluted	$ 0.80	$ 0.85	$ 0.96	$ 1.02	$ 2.68
Weighted average shares outstanding - Basic	9,625,891	10,235,129	10,061,088	9,332,324	8,898,112
Weighted average shares outstanding - Diluted	10,383,467	10,458,235	10,109,809	9,976,458	9,433,250

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

	As of March 31,				
	2001	2002	2003	2004	2005
CONSOLIDATED BALANCE SHEETS					
Assets:					
Cash and cash equivalents	$ 24,534	$ 28,224	$ 27,784	$ 25,155	$ 38,852
Accounts receivable	57,627	41,397	38,385	51,189	93,555
Notes receivable	1,862	228	53	52	115
Inventories	2,651	872	1,373	900	2,117
Investment in leases and leased equipment - net	202,846	169,087	182,169	186,667	189,469
Other assets	21,347	39,188	29,177	30,239	36,632
Total assets	$ 310,867	$ 278,996	$ 278,941	$ 294,202	$ 360,740
Liabilities:					
Accounts payable - equipment	$ 9,227	$ 3,899	$ 5,636	$ 9,993	$ 8,965
Accounts payable - trade	17,764	14,223	25,914	32,141	55,333
Salaries and commissions payable	1,293	492	620	584	771
Recourse notes payable	8,876	4,660	2,736	6	6,265
Non-recourse notes payable	159,122	129,977	116,255	117,857	114,839
Other liabilities	22,678	19,456	18,163	22,037	42,465
Total liabilities	218,960	172,707	169,324	182,618	228,638
Stockholders' equity	91,907	106,289	109,617	111,584	132,102
Total liabilities and stockholders' equity	$ 310,867	$ 278,996	$ 278,941	$ 294,202	$ 360,740

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, 2003, 2004 AND 2005

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.

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 collectibility 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. We accrue items determined to be receivable at period end.

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 a quarterly basis and record any required changes in accordance with SFAS No. 13, paragraph 17.d, in which impairments of residual value, other then temporary, are recorded in the period in which the impairment is determined. 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 term, our policy is to recognize revenues on an accrual basis based upon historical experience.

INITIAL DIRECT COSTS. Initial direct costs related to the 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.

Revenue from hosting arrangements is recognized in accordance with Emerging Issues Task Force ("EITF") 00-3, "Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity's Hardware." Hosting arrangements that are not in the scope of SOP 97-2 require that allocation of the portion of the fee allocated to the hosting elements be recognized as the service is provided

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 Procure+, our e-procurement software package, are recognized as services are rendered. Amounts charged for the Manage+, 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. Current-year fee and other income include amounts from the favorable settlement of the Ariba lawsuit (See Note 15 to the Consolidated Financial Statements). 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, 2004 and 2005, the Company's reserve for credit losses was $4.7 million and $5.0 million, respectively. The net decrease in the reserve during fiscal year 2004 was due to our decision to write off receivables that were fully reserved relative to amounts that were part of long-term bankruptcy claims against customers. The underlying receivables and respective allowances were not extinguished in our ledger until all possible claims and potential chances of recovery were exhausted. Currently, we have determined that this procedure of maintaining receivables with little of no chance of collection on the ledger with offsetting allowances has no material reporting benefit and we have policies in place to write off the receivables in a more expedient manner. 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.

CAPATILIZATION 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, 2005 and 2004, respectively, $0.3 million and $0.4 million of costs for the development of software for internal use were capitalized. During the years ended March 31, 2005, and 2004, respectively, the Company had $1.2 million, net of amortization, of capitalized costs for the development of internal-use software. 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 year ended March 31, 2004, $1.9 million of costs for the development of software available to customers were capitalized. There were no such costs capitalized during the year ended March 31, 2005. As of March 31, 2005, the Company had $0.6 million, net of amortization, of capitalized costs for the development of software available to customers as compared to $1.0 million, net of amortization, at March 31, 2004. These capitalized costs are included in the accompanying consolidated balance sheets as a component of other assets.

SHARE-BASED PAYMENT. In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment," or SFAS No. 123R. SFAS No. 123R replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and subsequently issued stock option related guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. It also addresses transaction in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. We are required to apply SFAS No. 123R to all awards granted, modified or settled as of the beginning of the fiscal reporting period that begins after June 15, 2005. We have commenced our analysis of the impact of SFAS No. 123R, but have decided not to early adopt. We will most likely use the modified-prospective and the straight-line method. Accordingly, we have not determined the impact that the adoption of SFAS No. 123R will have on our financial position or results of operations.

RESULTS OF OPERATIONS

The Year Ended March 31, 2005 Compared to the Year Ended March 31, 2004

Total revenues generated by the Company during the year ended March 31, 2005 were $575.8 million compared to revenues of $330.6 million for the year ended March 31, 2004, an increase of 74.2%. This increase is primarily attributable to increased revenues from the sales of product from the IT reseller due, in part, from increased demand from customers. The Company's revenues are composed of sales, lease revenues, and fee and other income, and may vary considerably from period to period.

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, 2005, we experienced an increase in customer demand for IT products in a very competitive economy. The increase was a result of increased sales within the Company's existing customer base and from customers obtained through recent acquisitions. For the year ended March 31, 2005, equipment sales through the Company's technology business unit subsidiaries accounted for 99.2% of sales of product, compared to 98.8% for the prior fiscal year. For the year ended March 31, 2005, sales of product increased 79.5% to $481.0 million, a result of increased technology sales through the Company's subsidiaries.

The Company realized a gross margin on sales of product of 10.0% for the year ended March 31, 2005, as compared to 11.8% during the year ended March 31, 2004.

The Company's lease revenues decreased 9.6% to $46.3 million for the year ended March 31, 2005, compared with $51.3 million for the prior fiscal year. Our net investment in leased assets was $189.5 million at March 31, 2005, a 1.5% increase from $186.7 million at March 31, 2004.

For the year ended March 31, 2005, fee and other income was $48.5 million, an increase of 325.1% 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, 2005 is primarily attributable to a $37 million settlement of its patent-infringement litigation against Ariba Inc. On February 12, 2005, the Company settled the patent-infringement suit through a mutual settlement and license agreement. As of March 31, 2005 the Company received a total of $37 million for the settlement. 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 9.0% during the year ended March 31, 2005, 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 60.7% in the current year.

Professional and other fees increased 154.5% for the year ended March 31, 2005 over the prior fiscal year, and was primarily the result of $3.1 million in legal fees related to the Ariba lawsuit and expenses that the Company incurred related to Manchester Technologies, Inc. for professional services rendered by 65 people (prior Manchester Technologies, Inc. employees) that were to be hired in a subsequent period and a transition team.

Salaries and benefit expenses increased 32.7% during the year ended March 31, 2005, as compared to the prior fiscal year. The increase is a combination of a 24% increase in employees, due in part to the acquisition of Manchester Technologies, Inc., higher sales commissions attributed to higher sales volume, performance bonuses related to the Ariba patent-infringement suit, and a normal increase in payroll and benefit expenses.

General and administrative expenses increased 24.8% for the year ended March 31, 2005 over the prior fiscal year. The increase is largely due to higher sales volume which in turn created a larger bad debt and inventory allowance, and an increase in the number of offices and employees, due in part to the Manchester Technologies, Inc. acquisition.

Interest and financing costs incurred by the Company for the year ended March 31, 2005 decreased 12.6%, and relate to interest costs on the Company's indebtedness. This is attributed to a combination of our decreasing non-recourse debt portfolio and a reduction in our weighted average interest rate on new lease-related non-recourse debt. (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 $17.7 million for the year ended March 31, 2005 from $7.1 million for the prior fiscal year, reflecting an effective income tax rate of 41.0% and 41.2% respectively.

The foregoing resulted in a 149.0% increase in net earnings for the year ended March 31, 2005, as compared to the prior fiscal year.

Basic and fully diluted earnings per common share were $2.84 and $2.68 respectively for the year ended March 31, 2005, as compared to $1.09 and $1.02 respectively for the year ended March 31, 2004, based on weighted average common shares outstanding of 8,898,112 and 9,433,250 respectively for 2005 and 9,332,324 and 9,976,458 respectively for 2004.

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 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 obtained through 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 an increase in 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 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 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.

LIQUIDITY AND CAPITAL RESOURCES

During the year ended March 31, 2005, the Company generated cash flows from operations of $41.6 million, and used cash flows from investing activities of $30.5 million. Cash flows provided by financing activities amounted to $2.5 million during the same period. The effect of exchange rate changes during the period provided cash flows of $82,098. The net effect of these cash flows was a net increase in cash and cash equivalents of $13.7 million during the year. During the same period, our total assets increased $66.5 million, primarily as the result of increases in our cash and accounts receivable. The Company's net investments in direct financing lease equipment decreased $9.3 million, or 5.6% and operating lease equipment increased $12.1 million, or 60.7%, respectively, during the period. The cash balance at March 31, 2005 was $38.9 million as compared to $25.2 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. Each transaction is specifically approved and done solely at the lender's discretion.

During the year ended March 31, 2005, the Company's lease-related non-recourse debt portfolio decreased 2.6% to $114.8 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, 2005, the Company had $9.0 million of unpaid equipment cost, as compared to $10.0 million at March 31, 2004.

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. Borrowings under the credit facility bear interest at London Interbank Offered Rates ("LIBOR") plus an applicable margin or, at our option, the Alternate Base Rate ("ABR") plus an applicable margin. The ABR is the higher of the Agent bank's prime rate or Federal Funds plus 0.5%. The applicable margin is determined based on our recourse funded debt ratio and can range from 1.75% to 2.50% for LIBOR loans and from 0.0% to 0.25% for ABR loans. As of March 31, 2005, 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.

Floor Plan Credit Facility

The traditional business of *e*Plus Technology, inc. as a seller of computer technology and related peripherals and software products is financed through an agreement known as a floor plan credit facility in which interest expense for the first thirty to forty-five days, in general, is not charged but is paid by the supplier/distributor. The floor plan 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 respective floor plan facility credit limits and actual outstanding balances were as follows:

Floor Plan Supplier	Credit Limit at March 31, 2004	Balance as of March 31, 2004	Credit Limit at March 31, 2005	Balance as of March 31, 2005
GE Distribution Finance Corp.	$ 26,000,000	$ 21,637,077	$ 75,000,000	$ 32,978,262

The limit is further defined as being $50,000,000 at all times other than during the Seasonal Uplift Period. The Seasonal Uplift Period is defined as August 1st through December 31st each calendar year. During the Seasonal Uplift Period, the limit increases to $75,000,000.

Accounts Receivable Facility

In addition to the floor plan component, *e*Plus Technology, inc. has an accounts receivable facility through GECDF. The accounts receivable facility was modified on August 18, 2004 from a limit of $15,000,000 to include a Seasonal Uplift Period as defined above to $20,000,000.

As of March 31, 2005 there was an outstanding balance of $6,263,471 on this facility. As of March 31, 2004, the maximum available that could be borrowed under the accounts receivable facility was $7,000,000 and there was no outstanding balance. Availability under the lines of credit may be limited by the asset value of equipment purchased by the Company and may be further limited by certain covenants and terms and conditions of the facilities. The Company was in compliance with said covenants as of March 31, 2005.

On June 28, 2004, the Company modified its credit facility agreement with GECDF to increase the credit limit to $50,000,000 from $26,000,000. The modification on August 18, 2004 also included a provision that during the Seasonal Uplift Period, the floor plan credit facility and the accounts receivable facility, in aggregate, could not exceed the $75,000,000 credit limit.

The facility provided by GECDF requires a guaranty of up to $10,500,000 by *e*Plus inc. The loss of the GECDF credit facility could have a material adverse effect on our future results as we currently rely on this facility and its components for daily working capital and liquidity for our technology sales business and operational accounts payable functions.

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.

CONTRACTUAL OBLIGATIONS

The impact that our contractual obligations as of March 31, 2005 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
Non-recourse notes payable (1)	$ 114,838,994	$ 58,746,847	$ 49,593,331	$ 6,498,816	$ -
Recourse notes payable	6,264,897	6,264,897	-	-	-
Operating lease obligations (2)	6,760,124	1,866,923	2,859,829	2,033,372	-
Purchase Obligations (3)	192,667	192,667	-	-	-
Total	$ 128,056,682	$ 67,071,334	$ 52,453,160	$ 8,532,188	$ -

(1) Non-recourse 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, 2005, we are not involved in any unconsolidated special purpose entity transactions.

ADEQUACY OF CAPITAL RESOURCES

The continued implementation of the Company's eECM 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, 2005, 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, 2005. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of March 31, 2005, 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.

However, in February 2005, the Company determined that there was a material weakness in its internal control over financial reporting relating to a split payment lease transaction that had been incorrectly recorded during the quarter ended September 30, 2004. As a result, the Company restated its assets as of September 30, 2004 and its earnings for the three- and six-month periods ended September 30, 2004. Furthermore, the Company's management has determined not to enter into any more split payment financing arrangements until the Company's accounting processes can be revised to accurately record them.

PART III

Except as set forth below, the information required by Items 10, 11, 12, 13 and 14 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	61	Director, Chairman of the Board, President and Chief Executive Officer	III
Bruce M. Bowen	53	Director and Executive Vice President	III
Steven J. Mencarini	49	Senior Vice President and Chief Financial Officer	
Kleyton L. Parkhurst	42	Senior Vice President and Treasurer	
Terrence O'Donnell	61	Director	II
Lawrence S. Herman	61	Director	I
C. Thomas Faulders, III.	55	Director	I
Milton E. Cooper	66	Director	II

The Standard of Conduct and Ethics for Employees, Officers and Directors of ePlus inc. is available on our website at www.eplus.com/ethics. We will disclose on our website any amendments to or waivers from any provision of the Standard of Conduct and Ethics that applies to any of our directors or officers.

ITEM 11. EXECUTIVE COMPENSATION

See introductory paragraph of this Part III.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT 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

See introductory paragraph of this Part III.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(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) Exhibit List

Exhibit No.	Exhibit Description
2.1	Asset Purchase Agreement between ePlus inc. and ProcureNet, Inc. dated as of May 4, 2001(Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on May 18, 2001).
2.2	Agreement and Plan of Reorganization by and among SourceOne Computer Corporation, Robert Nash, Donna Nash, R. Wesley Jones, the shareholders of SourceOne Computer Corporation, ePlus inc. and ePlus Technology, inc., dated as of October 2, 2001 (Incorporated herein by reference to Exhibit 2 to the Company's Current Report on Form 8-K filed on October 12, 2001).
2.3	Asset Purchase and Sale Agreement by and between ePlus Technology, Inc., Elcom Services Group, Inc., Elcom, Inc., and Elcom International, Inc., dated March 25, 2002 (Incorporated herein by reference to Exhibit 2 to the Company's Current Report on Form 8-K filed on April 5, 2002).
2.4	Amendment to Asset Purchase and Sale Agreement by and between ePlus Technology, inc., Elcom Services Group, Inc., Elcom, Inc., and Elcom International, Inc., dated March 29, 2002 (Incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 5, 2002).
2.5	Asset Purchase Agreement by and between ePlus Technology, inc. and Manchester Technologies, Inc., dated May 28, 2004 (incorporated herein by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed on May 28, 2004).
3.1	Certificate of Incorporation of the Company, filed on 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 on 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).

Exhibit No.	Exhibit Description
3.3	Certificate of Amendment of Certificate of Incorporation of the Company, filed on 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 on 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 on 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).
4	Specimen Certificate of Common Stock (Incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-1 (File No. 333-11737) originally filed on September 11, 1996).
10.1	Form of Indemnification Agreement entered into between the Company and its directors and officers (Incorporated herein by reference to Exhibit 10.5 to the Company's Registration Statement on Form S-1 (File No. 333-11737) originally filed on September 11, 1996).
10.2 *	Form of Employment Agreement between the Company and Phillip G. Norton (Incorporated herein by reference to Exhibit 10.7 to the Company's Registration Statement on Form S-1 (File No. 333-11737) originally filed on September 11, 1996).
10.3 *	Form of Employment Agreement between the Company and Bruce M. Bowen (Incorporated herein by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (File No. 333-11737) originally filed on September 11, 1996).
10.4 *	Form of Employment Agreement between the Company 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 Company 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 10.21 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 10.22 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).

Exhibit No.	Exhibit Description
10.8 *	Amended and Restated Outside Director Stock Option Plan (Incorporated herein by reference to Exhibit 10.23 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 10.24 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 10.25 to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 1997).
10.11	Amended and Restated 1998 Long-Term Incentive 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, 2003).
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).
10.13	Form of Irrevocable Proxy and Stock Rights Agreement (Incorporated herein by reference to Exhibit 10.11 to the Company's Registration Statement on Form S-1 (File No. 333-11737) originally filed on September 11, 1996).
10.14	Amended and Restated Credit Agreement dated July 21, 2003 between ePlus inc. and its subsidiaries named therein and National City Bank, Inc., as Administrative Agent (Incorporated herein by reference to Exhibit 5.1 to the Company's Current Report on Form 8-K filed on July 25, 2003).
10.15	Business Financing Agreement dated September 8, 2000 between GE Commercial Distribution Finance Corporation (as successor to Deutsche Financial Services Corporation) and ePlus 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).
10.16	Agreement for Wholesale Financing dated September 8, 2000 between GE Commercial Distribution Finance Corporation (as successor to Deutsche Financial Services Corporation) and ePlus 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).
10.17	Paydown Addendum to Business Financing Agreement between GE Commercial Distribution Finance Corporation (as successor to Deutsche Financial Services Corporation) and ePlus Technology, inc. (Incorporated herein by reference to Exhibit 5.3 to the Company's Current Report on Form 8-K filed on August 18, 2004).
10.18	Amendment to Business Financing Agreement and Agreement for Wholesale Financing, dated March 31, 2004 between GE Commercial Distribution Finance Corporation and ePlus Technology, inc. (Incorporated herein by reference to Exhibit 5.1A to the Company's Current Report on Form 8-K filed on August 18, 2004).

Exhibit No.	Exhibit Description
10.19	Amendment to Business Financing Agreement and Agreement for Wholesale Financing, dated June 24, 2004 between GE Commercial Distribution Finance Corporation and ePlus Technology, inc. (Incorporated herein by reference to Exhibit 5.1B to the Company's Current Report on Form 8-K filed on August 18, 2004).
10.20	Amendment to Business Financing Agreement and Agreement for Wholesale Financing dated August 17, 2004 between GE Commercial Distribution Finance Corporation and ePlus Technology, inc. (Incorporated herein by reference to Exhibit 5.1C to the Company's Current Report on Form 8-K filed on August 18, 2004).
10.21	Limited Guaranty dated June 4, 2004 between GE Commercial Distribution Finance Corporation and ePlus inc. (Incorporated herein by reference to Exhibit 5.4 to the Company's Current Report on Form 8-K filed on August 18, 2004).
10.22	Collateral Guaranty dated March 31, 2004 between GE Commercial Distribution Finance Corporation and ePlus Group, inc. (Incorporated herein by reference to Exhibit 5.5 to the Company's Current Report on Form 8-K filed on August 18, 2004).
10.23	Agreement Regarding Collateral Rights and Waiver between GE Commercial Distribution Finance Corporation and National City Bank, as Administrative Agent, dated March 24, 2004 (Incorporated herein by reference to Exhibit 5.6 to the Company's Current Report on Form 8-K filed on August 18, 2004).
10.24	Agreement for Wholesale Financing between Deutsche Financial Services Corporation and ePlus 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).
10.25	Business Financing Agreement between Deutsche Financial Services Corporation and ePlus 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).
10.26	Addendum to Business Financing Agreement and Agreement for Wholesale Financing between Deutsche Financial Services Corporation and ePlus 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).
10.27	Limited Guaranty for ePlus Technology of PA, inc. to Deutsche Financial Services Corporation by ePlus 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).
10.28	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).
10.29	Agreement for Wholesale Financing between Deutsche Financial Services Corporation and ePlus 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).

Exhibit No.	Exhibit Description
10.30	Addendum to Agreement for Wholesale Financing between ePlus 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).
10.31	Addendum to Agreement for Wholesale Financing between ePlus 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).
10.32	Addendum to Business Financing Agreement and Agreement for Wholesale Financing between ePlus 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).
10.33	Deed of Lease between CALEAST INDUSTRIAL INVESTORS, LLC (Landlord) and ePlus 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, 2002).
10.34	Deed of Lease by and between ePlus inc. and Norton Building I, LLC dated as of December 23, 2004 (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 27, 2004).
10.35	ePlus inc. Supplemental Benefit Plan for Bruce M. Bowen (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 2, 2005).
10.36	ePlus inc. Supplemental Benefit Plan for Steven J. Mencarini (Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on March 2, 2005).
10.37	ePlus inc. Supplemental Benefit Plan for Kleyton L. Parkhurst (Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 2, 2005).
10.38	ePlus inc. Form of Supplemental Benefit Plan Participation Election Form (Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on March 2, 2005).
10.39	Incentive Option Agreement under the ePlus inc. Amended and Restated 1998 Long-Term Incentive Plan by and between the Company and Phillip G. Norton (Incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 10, 2005).

Exhibit No.	Exhibit Description
10.40	Incentive Option Agreement under the ePlus inc. Amended and Restated 1998 Long-Term Incentive Plan by and between the Company and Bruce M. Bowen (Incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 10, 2005).
10.41	Incentive Option Agreement under the ePlus inc. Amended and Restated 1998 Long-Term Incentive Plan by and between the Company and Kleyton L. Parkhurst (Incorporated herein by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 10, 2005).
10.42	Incentive Option Agreement under the ePlus inc. Amended and Restated 1998 Long-Term Incentive Plan by and between the Company and Steven J. Mencarini (Incorporated herein by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on February 10, 2005).
10.43	Non-Qualified Stock Option Agreement under the ePlus inc. Amended and Restated 1998 Long-Term Incentive Plan by and between the Company and Phillip G. Norton (Incorporated herein by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on February 10, 2005).
10.44	Form of Incentive Option Agreement under the ePlus inc. Amended and Restated 1998 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on February 10, 2005).
10.45	Form of Non-Qualified Stock Option Agreement under the ePlus inc. Amended and Restated 1998 Long-Term Incentive Plan (Incorporated herein by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on February 10, 2005).
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 ePlus inc.
31.2	Rule 13a-14(a) and 15d-14(a) Certification of the Chief Financial Officer of ePlus inc.
32	Section 1350 certification of the Chief Executive Officer and Chief Financial Officer of ePlus 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 29, 2005

/s/ BRUCE M. BOWEN
By: Bruce M. Bowen, Director and Executive
Vice President
Date: June 29, 2005

/s/ STEVEN J. MENCARINI
By: Steven J. Mencarini, Senior Vice President,
Chief Financial Officer, Principal Accounting Officer
Date: June 29, 2005

/s/ C. THOMAS FAULDERS, III
By: C. Thomas Faulders, III, Director
Date: June 29, 2005

/s/ TERRENCE O'DONNELL
By: Terrence O'Donnell, Director
Date: June 29, 2005

/s/ LAWRENCE S. HERMAN
By: Lawrence S. Herman, Director
Date: June 29, 2005

/s/ MILTON E. COOPER, JR.
By: Milton E. Cooper, Jr., Director
Date: June 29, 2005

*e*Plus inc. AND SUBSIDIARIES

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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 ("the Company") as of March 31, 2004 and 2005, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2005. 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. The Company has determined it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2004 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, 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 29, 2005

ePlus inc. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of March 31, 2004		As of March 31, 2005	
ASSETS				
Cash and cash equivalents	$	25,155,011	$	38,851,714
Accounts receivable, net of allowance for doubtful accounts of $1,584,358 and $1,959,049 as of March 31, 2004 and 2005 respectively		51,188,640		93,555,462
Notes receivable		51,986		114,708
Inventories		899,748		2,116,855
Investment in leases and leased equipment - net		186,667,141		189,468,926
Property and equipment - net		5,230,473		6,647,781
Other assets		4,765,782		3,859,791
Goodwill		20,243,310		26,125,212
TOTAL ASSETS	$	294,202,091	$	360,740,449
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Accounts payable - equipment	$	9,993,077	$	8,965,022
Accounts payable - trade		32,140,670		55,332,993
Salaries and commissions payable		583,934		771,487
Accrued expenses and other liabilities		11,983,798		32,945,931
Recourse notes payable		5,863		6,264,897
Non-recourse notes payable		117,857,208		114,838,994
Deferred tax liability		10,053,226		9,519,309
Total Liabilities		182,617,776		228,638,633
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; 25,000,000 authorized, 10,717,242 issued and 8,939,958 outstanding at March 31, 2004; and 25,000,000 authorized, 10,807,392 issued and 8,581,492 outstanding at March 31, 2005	$	107,172	$	108,074
Additional paid-in capital		64,339,988		65,181,862
Treasury stock, at cost, 1,777,284 and 2,225,900 shares respectively		(17,192,886)		(22,887,881)
Retained earnings		64,211,474		89,499,096
Accumulated other comprehensive income - Foreign currency translation adjustment		118,567		200,665
Total Stockholders' Equity		111,584,315		132,101,816
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	294,202,091	$	360,740,449

See Notes to Consolidated Financial Statements.

ePlus inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended March 31,		
	2003	2004	2005
REVENUES			
Sales of product	$ 228,769,966	$ 267,898,937	$ 480,970,082
Sales of leased equipment	6,095,830	-	-
	234,865,796	267,898,937	480,970,082
Lease revenues	50,520,293	51,253,518	46,343,797
Fee and other income	14,260,057	11,405,033	48,484,643
	64,780,350	62,658,551	94,828,440
TOTAL REVENUES (1)	299,646,146	330,557,488	575,798,522
COSTS AND EXPENSES			
Cost of sales, product	201,277,000	236,283,350	432,774,189
Cost of sales, leased equipment	5,891,789	-	-
	207,168,789	236,283,350	432,774,189
Direct lease costs	6,582,409	10,560,586	11,508,820
Professional and other fees	3,188,046	3,700,795	9,417,010
Salaries and benefits	43,426,999	41,325,224	54,858,181
General and administrative expenses	14,499,261	14,630,731	18,253,106
Interest and financing costs	8,308,382	6,847,072	5,981,054
	76,005,097	77,064,408	100,018,171
TOTAL COSTS AND EXPENSES (2)	283,173,886	313,347,758	532,792,360
Earnings before provision for income taxes	16,472,260	17,209,730	43,006,162
Provision for income taxes	6,759,551	7,055,989	17,718,539
NET EARNINGS	$ 9,712,709	$ 10,153,741	$ 25,287,623
NET EARNINGS PER COMMON SHARE - BASIC	$ 0.97	$ 1.09	$ 2.84
NET EARNINGS PER COMMON SHARE - DILUTED	$ 0.96	$ 1.02	$ 2.68
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	10,061,088	9,332,324	8,898,112
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	10,109,809	9,976,458	9,433,250

(1) Includes amounts from related parties of $145,926, $302,968 and $37,990 for the fiscal years ended March 31, 2003, 2004 and 2005, respectively.
(2) Includes amounts to related parties of $486,520, $443,065 and $520,711 for the fiscal years ended March 31, 2003, 2004 and 2005, respectively.

See Notes to Consolidated Financial Statements.

ePlus inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	2003	2004	2005
Cash Flows From Operating Activities:			
Net earnings	$ 9,712,709	$ 10,153,741	$ 25,287,623
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	4,510,705	10,487,439	12,784,225
Provision for credit losses	616,074	1,731,325	(515,843)
Tax benefit of stock options exercised	-	-	156,972
Deferred taxes	10,231,687	5,293,197	(533,917)
Loss (Gain) on sale of operating lease equipment	20,796	2,122,180	(159,477)
Payments from lessees directly to lenders	(291,281)	(2,645,589)	(4,275,789)
Loss (Gain) on disposal of property and equipment	(47,562)	904,579	350,866
Changes in:			
Accounts receivable	2,465,447	(14,261,777)	(41,052,707)
Notes receivable	174,816	1,112	(62,722)
Inventories	(501,311)	473,420	(1,217,107)
Investment in leases and leased equipment - net	(19,761,290)	(2,653,444)	8,351,695
Other assets	609,853	59,987	1,009,820
Accounts payable - equipment	1,736,777	4,357,301	(1,028,055)
Accounts payable - trade	10,809,400	6,226,285	23,140,604
Salaries and commissions payable, accrued expenses and other liabilities	(5,348,826)	(2,187,332)	19,326,204
Net cash provided by operating activities	14,937,994	20,062,424	41,562,392
Cash Flows From Investing Activities:			
Proceeds from sale of operating equipment	2,271,386	452,127	1,202,550
Purchase of operating lease equipment	(11,627,961)	(19,592,804)	(22,036,259)
Proceeds from sale of property and equipment	-	-	19,825
Purchases of property and equipment	(1,549,190)	(2,801,030)	(4,641,325)
Cash used in acquisitions - net of cash acquired	-	(1,601,632)	(5,000,000)
Net cash used in investing activities	(10,905,765)	(23,543,339)	(30,455,209)

ePlus inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	2003	2004	2005
Cash Flows From Financing Activities:			
Borrowings:			
Non-recourse	$ 80,997,406	$ 77,904,696	$ 64,630,667
Repayments:			
Non-recourse	(78,130,384)	(66,143,136)	(63,090,176)
Pay-off of recourse debt due to settlement	(98,660)	-	-
Write-off of non-recourse debt due to bankruptcy	(1,996,596)	7,181	(91,393)
Write-off of non-recourse debt due to settlement	-	-	(191,519)
Purchase of treasury stock	(6,936,324)	(9,681,762)	(5,694,995)
Proceeds from issuance of capital stock, net of expenses	492,718	1,436,033	685,804
Repayments of lines of credit	1,140,890	(2,730,435)	6,259,034
Net cash provided by (used in) financing activities	(4,530,950)	792,577	2,507,422
Effect of Exchange Rate Changes on Cash	59,308	59,259	82,098
Net (Decrease) Increase in Cash and Cash Equivalents	(439,413)	(2,629,079)	13,696,703
Cash and Cash Equivalents, Beginning of Period	28,223,503	27,784,090	25,155,011
Cash and Cash Equivalents, End of Year	$ 27,784,090	$ 25,155,011	$ 38,851,714
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	$ 4,991,426	$ 3,794,273	$ 2,490,376
Cash paid for income taxes	$ 4,459,405	$ 1,067,972	$ 16,262,145
Schedule of Noncash Investing and Financing Activities:			
Liabilities assumed in purchase transactions	$ -	$ 811,657	$ 1,875,202

See Notes To Consolidated Financial Statements.

ePlus inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional	Treasury	Retained	Accumulated Other Comprehensive	
	Shares	Par Value	Paid-In Capital	Stock	Earnings	Income	TOTAL
Balance, April 1, 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)
Subtotal	(944,219)	781	491,660	(6,936,324)	-	-	(6,443,883)
Net earnings	-	-	-	-	9,712,709	-	9,712,709
Foreign currency translation adjustment	-	-	-	-	-	59,308	59,308
Total comprehensive income	-	-	-	-	9,712,709	59,308	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)	-	-	(9,681,762)
Subtotal	(511,693)	1,772	1,434,261	(9,681,762)	-	-	(8,245,729)
Net earnings	-	-	-	-	10,153,741	-	10,153,741
Foreign currency translation adjustment	-	-	-	-	-	59,259	59,259
Total comprehensive income	-	-	-	-	10,153,741	59,259	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
Issuance of shares for option exercise	90,150	902	684,902	-	-	-	685,804
Tax benefit of exercised stock options	-	-	156,972	-	-	-	156,972
Purchase of treasury stock	(448,616)	-	-	(5,694,995)	-	-	(5,694,995)
Subtotal	(358,466)	902	841,874	(5,694,995)	-	-	(4,852,219)
Net earnings	-	-	-	-	25,287,623	-	25,287,623
Foreign currency translation adjustment	-	-	-	-	-	82,098	82,098
Total comprehensive income	-	-	-	-	25,287,623	82,098	25,369,721
Balance, March 31, 2005	8,581,492	$ 108,074	$ 65,181,862	$ (22,887,881)	$ 89,499,096	$ 200,665	$ 132,101,816

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, 2003, 2004, and 2005

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.

ASSET PURCHASES - 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.

On May 28, 2004, ePlus purchased certain assets and assumed certain liabilities of Manchester Technologies, Inc. for total consideration of $7.0 million. The purchase was made by ePlus Technology, inc., a wholly-owned subsidiary of ePlus inc. The purchase price included $5.0 million in cash and the assumption of certain liabilities of approximately $2.0 million. The acquisition has enhanced the Company's IT reseller and professional services business. Approximately 125 former Manchester Technologies, Inc. personnel were hired by ePlus as part of the transaction and are located in three established offices in metropolitan New York, South Florida and Baltimore.

REVENUE RECOGNITION - The Company sells information technology equipment to its customers and recognizes revenue from equipment sales at the time equipment is shipped to 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. SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," 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 meet the criteria for surrender of control set forth by SFAS No. 140 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.

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.

Revenue from hosting arrangements is recognized in accordance with Emerging Issues Task Force ("EITF") 00-3, "Application of AICPA Statement of Position 97-2 to Arrangements That Include the right to Use Software Stored on Another Entity's Hardware." Hosting arrangements that are not in the scope of SOP 97-2 require that allocation of the portion of the fee allocated to the hosting elements be recognized as the service is provided.

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 for which 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.

STATEMENT OF CASH FLOWS – In February 2005, the Securities and Exchange Commission published a letter clarifying that cash flows for finance receivables related to sales of the Company's products and services should be considered operating activities on the statement of cash flows. The Company historically reported cash flows from the financing of equipment related to direct financing and sales-type lease transactions as investing activities in the statement of cash flows. The Company revised its consolidated statements of cash flows to comply with the new SEC guidance. All intercompany transactions have been eliminated and, therefore, there are no intercompany cash flows reflected on the consolidated statements of cash flows. This reclassification did not change the total cash flow.

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 ten years.

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 $0.3 million and $0.4 million of internal use software was capitalized during the years ended March 31, 2005 and 2004 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 year ended March 31, 2004, $1.9 million of development costs have been capitalized. No such costs were capitalized during the year ended March 31, 2005.

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, 2003 and 2004 financial statements to conform to the March 31, 2005 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. For the years ended March 31, 2005 and 2004, accumulated other comprehensive income decreased $82,098 and $59,259 respectively, resulting in total comprehensive income of $25,369,721 and $10,213,000 respectively.

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 10,061,088 in fiscal 2003, 9,332,324 in 2004, and 8,898,112 in 2005. Diluted EPS amounts were calculated based on weighted average shares outstanding and common stock equivalents of 10,109,809 in fiscal 2003, 9,976,458 in 2004, and 9,433,250 in 2005. 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, 2005, 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,		
	2003	2004	2005
Net earnings, as reported	$ 9,712,709	$ 10,153,741	$ 25,287,623
Stock-based compensation expense	(3,665,698)	(2,593,793)	(1,145,665)
Net earnings, pro forma	$ 6,047,011	$ 7,559,948	$ 24,141,958
Basic earnings per share, as reported	$0.97	$1.09	$2.84
Basic earnings per share, pro forma	$0.60	$0.81	$2.71
Diluted earnings per share, as reported	$0.96	$1.02	$2.68
Diluted earnings per share, pro forma	$0.60	$0.76	$2.56

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 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 September 30, 2004 and is limited to a cumulative purchase amount of $7,500,000. On May 6, 2004, the Company's Board of Directors approved an increase, from $7,500,000 to $12,000,000, for the maximum total cost of shares that could be purchased, which expired September 30, 2004. From October 1, 2004 to November 16, 2004, there was no stock repurchase authorization. On November 17, 2004, another stock purchase program was authorized by the Company's Board of Directors. 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 November 17, 2005 and is limited to a cumulative purchase amount of $7,500,000. On March 2, 2005, the Company's Board of Directors approved an increase, from $7,500,000 to $12,500,000, for the maximum total cost of shares that could be purchased.

During the years ended March 31, 2003, 2004, and 2005, the Company repurchased 1,022,384, 688,800, and 448,616 shares of its outstanding common stock for a total of $6,936,324, $9,681,763, and $5,694,994. Since the inception of the Company's initial repurchase program on September 20, 2001, as of March 31, 2005, the Company had repurchased 2,225,900 shares of its outstanding common stock at an average cost of $10.28 per share for a total of $22,887,881.

RECENT ACCOUNTING PRONOUNCEMENTS - In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share-Based Payment," or SFAS No. 123R. SFAS No. 123R replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and subsequently issued stock option related guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. Entities will be required to measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award (with limited exceptions). That cost will be recognized over the period during

which an employee is required to provide service in exchange for the award (usually the vesting period). The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. We are required to apply SFAS No. 123R to all awards granted, modified or settled as of the beginning of the fiscal reporting period that begins after June 15, 2005. We are also required to use either the modified-prospective method or modified-retrospective method. Under the modified-prospective method, we must recognize compensation cost for all awards subsequent to adopting the standard and for the unvested portion of previously granted awards outstanding upon adoption. Under the modified-retrospective method, we must restate our previously issued financial statements to recognize the amounts we previously calculated and reported on a pro forma basis, as if the prior standard had been adopted. Under both methods, we are permitted to use either the straight-line or an accelerated method to amortize the cost as an expense for awards with graded vesting. The standard permits and encourages early adoption. We have commenced our analysis of the impact of SFAS No. 123R, but have decided not to early adopt. We will most likely use the modified-prospective and the straight-line method. Accordingly, we have not determined the impact that the adoption of SFAS No. 123R will have on our financial position or results of operations.

2. INVESTMENTS IN LEASES AND LEASED EQUIPMENT - NET

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

	As of March 31, 2004	As of March 31, 2005
	(In Thousands)	
Investment in direct financing and sales-type leases-net	$ 166,790	$ 157,519
Investment in operating lease equipment-net	19,877	31,950
	$ 186,667	$ 189,469

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, 2004	As of March 31, 2005
	(In Thousands)	
Minimum lease payments	$ 161,008	$ 151,139
Estimated unguaranteed residual value (1)	25,025	23,794
Initial direct costs, net of amortization (2)	2,342	1,850
Less: Unearned lease income	(18,439)	(16,208)
Reserve for credit losses	(3,146)	(3,056)
Investment in direct finance and sales-type leases - net	$ 166,790	$ 157,519

(1) Includes estimated unguaranteed residual values of $605,970 and $801,025 as of March 31, 2004 and 2005, respectively, of direct financing leases that were sold under SFAS 140.
(2) Initial direct costs are shown net of amortization of $2,184 and $2,387 at March 31, 2004 and March 31, 2005, respectively.

Future scheduled minimum lease rental payments as of March 31, 2005 are as follows:

		(In Thousands)
Year ending March 31, 2006	$	76,733
2007		47,192
2008		19,903
2009		3,704
2010		1,953
2011 and after		1,654
Total	$	151,139

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 four 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, 2004	2005
	(In Thousands)	
Cost of equipment under operating leases	$ 27,985	$ 45,453
Less: Accumulated depreciation and amortization	(8,108)	(13,503)
Investment in operating lease equipment-net	$ 19,877	$ 31,950

Future scheduled minimum lease rental payments as of March 31, 2005 are as follows:

		(In Thousands)
Year ending March 31, 2006	$	11,617
2007		9,609
2008		6,422
2009		4,055
2010		743
2011 and after		671
Total	$	33,117

3. RESERVES FOR CREDIT LOSSES

As of March 31, 2004 and 2005, the Company's reserve for credit losses was $4,730,015 and $5,014,905, 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, 2003	$ 3,346	$ 3,407	$ 6,753
Bad Debts Expense	23	24	47
Recoveries	(12)	-	(12)
Write-offs and other	(1,773)	(285)	(2,058)
Balance March 31, 2004	1,584	3,146	4,730
Bad Debts Expense	1,131	-	1,131
Recoveries	(350)	-	(350)
Write-offs and other	(406)	(90)	(496)
Balance March 31, 2005	$ 1,959	$ 3,056	$ 5,015

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, 2004 (In Thousands)	As of March 31, 2005 (In Thousands)
Furniture, fixtures and equipment	$ 5,437	$ 7,364
Vehicles	117	155
Capitalized software	6,119	6,411
Leasehold improvements	256	1,894
Less: Accumulated depreciation and amortization	(6,699)	(9,176)
Property and equipment-net	$ 5,230	$ 6,648

Certain property and equipment assets for the year ended March 31, 2004 are shown in different categories above than as previously reported.

5. GOODWILL

As of March 31, 2005, the Company had goodwill, net of accumulated amortization, of $26.1 million, an increase of $5.9 million from March 31, 2004 as a result of the purchase of certain assets and liabilities of Manchester Technologies, Inc. As of March 31, 2004, the Company had goodwill, net of accumulated amortization, of $20.2 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, 2003, 2004, and 2005.

As of March 31, 2004 and 2005, the Company has determined goodwill had not been impaired and that no potential impairment existed, based on testing performed on September 30, 2003 and 2004.

Changes in the carrying amount of goodwill for the years ended March 31, 2004 and 2005 are as follows:

	Financing Business Unit	Technology Sales Business Unit	Total
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
Other Adjustments during the period	-	6,906	6,906
Goodwill (net), March 31, 2004	4,028,764	16,214,546	20,243,310
Goodwill acquired during the period	-	5,881,902	5,881,902
Goodwill(net), March 31, 2005	$ 4,028,764	$ 22,096,448	$ 26,125,212

6. RECOURSE AND NON-RECOURSE NOTES PAYABLE

Recourse and non-recourse obligations consist of the following:

	As of March 31, 2004 (In Thousands)	As of March 31, 2005 (In Thousands)
Recourse line of credit bearing interest at prime (5.75% at March 31, 2005) less 0.5% with a maximum balance of $50,000,000, except during the seasonal uplift period in which the maximum balance increases to $75,000,000	$ -	$ 6,263
Recourse line of credit of $45,000,000 expiring on July 21, 2006. Carrying interest at the Company's option, either the LIBOR rate plus 175 - 250 basis points, or the alternate base rate of the higher of prime or federal funds rate plus 50 basis points plus 0-25 basis points.	-	-
Recourse vehicle note with variable interest rate	6	2
Total recourse obligations	$ 6	$ 6,265
Non-recourse equipment notes secured by related investments in leases with interest rates ranging from 2.39% to 11.0% in fiscal years 2004 and 2005	$ 117,857	$ 114,839

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 and in compliance with 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, 2005, mature as follows:

	Recourse Notes Payable	Non-recourse Notes Payable
	(In Thousands)	
Year ending March 31, 2006	$ 6,265	$ 58,747
2007	-	36,218
2008	-	13,376
2009	-	4,609
2010	-	1,720
2011 and after	-	169
Total	$ 6,265	$ 114,839

7. RELATED PARTY TRANSACTIONS

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 $145,962, $302,968, and $37,990 for the years ended March 31, 2003, 2004 and 2005 for accounting and administrative services provided to MLC/CLC LLC.

The Company leases certain office space from an entity controlled by an individual, director, stockholder and officer of the Company. During the years ended March 31, 2003, 2004, and 2005, rent expense paid to these related parties was $486,520, $443,065, and $520,711 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 $2,435,972, $2,048,201, and $2,649,483 for the years ended March 31, 2003, 2004, and 2005 respectively. As of March 31, 2005, the future minimum lease payments are due as follows:

		(In Thousands)
Year Ending March 31,	2006	$ 1,867
	2007	1,530
	2008	1,329
	2009	1,162
	2010	872
		$ 6,760

9. INCOME TAXES

A reconciliation of income taxes computed at the statutory federal income tax rate of 35% to the provision for income taxes included in the consolidated statements of earnings is as follows:

	For the Year Ended March 31,		
	2003	2004	2005
	(In Thousands)		
Statutory federal income tax rate	35%	35%	35%
Income tax expense computed at the U.S. statutory federal rate	$ 5,765	$ 6,023	$ 15,067
State income tax expense-net of federal benefit	876	975	2,012
Non-taxable interest income	(11)	(11)	(13)
Non-deductible expenses	130	69	194
Other	-	-	458
Provision for income taxes	$ 6,760	$ 7,056	$ 17,718
Effective income tax rate	41.0%	41.0%	41.2%

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

	For the Year Ended March 31,		
	2003	2004	2005
	(In Thousands)		
Current:			
Federal	$ (3,008)	$ 22	$ 15,041
State	(464)	1,741	3,211
Total current expense (benefit)	(3,472)	1,763	18,252
Deferred:			
Federal	8,421	5,535	(519)
State	1,811	(242)	(15)
Total deferred expense (benefit)	10,232	5,293	(534)
Provision for Income Taxes	$ 6,760	$ 7,056	$ 17,718

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. Significant components of the Company's deferred tax assets and liabilities as of March 31 were as follows:

	For the Year Ended March 31,		
	2003	2004	2005
	(In Thousands)		
Lease revenue recognition	$ (8,232)	$ (14,292)	$(13,144)
Allowance for doubtful accounts and credit reserves	3,322	3,565	2,794
Other	150	674	831

Net Deferred Tax Liability	$ (4,760)	$ (10,053)	$ (9,519)

On October 22, 2004, the President of the United States signed into law the American Jobs Creation Act of 2004. The Company is currently evaluating the impact of this new law on its operations and effective tax rate. In particular, the Company is evaluating the law's provisions relating to the phased-in deduction associated with pre-tax income from domestic production activities. This special deduction is 3% of qualifying income for years 2004 and 2005, 6% in years 2006 through 2009, and 9% thereafter.

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 $14,287,124, $30,067,365 and $23,748,131 for the years ended March 31, 2003, 2004, and 2005, 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 $12,453,541, $4,218,748 and $1,668,369 for the years ended March 31, 2003, 2004, and 2005 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 expense for the plans was $235,394, $247,040 and $212,310 for the years ended March 31, 2003, 2004 and 2005, 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 the 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, 2005, a total of 2,716,659 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 2,259,154 options are outstanding or have been exercised as of March 31, 2005;

b) the Nonqualified Stock Option Plan (“Nonqualified Plan”), under which 260,000 options are outstanding as of March 31, 2005;

c) the Outside Director Stock Option Plan ("Outside Director Plan"), under which 53,707 are outstanding or have been exercised as of March 31, 2005;

d) the Employee Stock Purchase Plan (“ESPP”) under which 143,798 shares have been issued as of March 31, 2005.

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, 2003, 2004 and 2005 was $3.11, $5.26 and $5.82 per share respectively.

A summary of stock option activity during the three years ended March 31, 2005 is as follows:

	Number of Shares	Exercise Price Range	Weighted Average Exercise Price
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		
Outstanding, April 1, 2004	1,786,232		
Options granted	490,000	$10.75 - $11.96	$ 10.95
Options exercised	(89,300)	$6.24 - $13.00	$ 7.32
Options forfeited	(20,750)	$6.86 - $17.38	$ 12.26
Outstanding, March 31, 2005	2,166,182		
Exercisable, March 31, 2005	1,648,382		

Additional information regarding options outstanding as of March 31, 2005 is as follows:

Options Outstanding			Options Exercisable	
Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
2,166,182	5.2 years	$11.70	1,648,382	$9.34

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,		
	2003	2004	2005
Net earnings, as reported	$ 9,712,709	$ 10,153,741	$ 25,287,623
Stock-based compensation expense	(3,665,698)	(2,593,793)	(1,145,665)
Net earnings, pro forma	$ 6,047,011	$ 7,559,948	$ 24,141,958
Basic earnings per share, as reported	$0.97	$1.09	$2.84
Basic earnings per share, pro forma	$0.60	$0.81	$2.71
Diluted earnings per share, as reported	$0.96	$1.02	$2.68
Diluted earnings per share, pro forma	$0.60	$0.76	$2.56

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,		
	2003	2004	2005
Options granted under the Incentive Stock Option Plan:			
Expected life of option	5 years	5 years	5 years
Expected stock price volatility	46.02%	39.76%	59.49%
Expected dividend yield	0%	0%	0%
Risk-free interest rate	3.96%	3.02%	3.55%

During the years ended March 31, 2003, 2004 and 2005, 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, 2004		As of March 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Assets:				
Cash and cash equivalents	$ 25,155	$ 25,155	$ 38,852	$ 38,852
Liabilities:				
Non-recourse notes payable	117,857	117,818	114,839	114,760
Recourse notes payable	6	6	6,265	6,265

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, 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	68,814,258	230,831,888	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	25,991,594	(1,210,953)	24,780,641
Interest expense	7,832,220	476,162	8,308,382
Earnings (loss) before income taxes	$ 18,159,374	$ (1,687,114)	$ 16,472,260
Assets	$ 226,238,171	$ 52,702,515	$ 278,940,686
Twelve months ended March 31, 2004			
Sales of product	$ 3,321,050	$ 264,577,887	$ 267,898,937
Sales of leased equipment	-	-	-
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 (loss) before income taxes	$ 16,214,133	$ 995,597	$ 17,209,730
Assets	$ 238,631,864	$ 55,570,227	$ 294,202,091
Twelve months ended March 31, 2005			
Sales of product	$ 3,738,045	$ 477,232,037	$ 480,970,082
Sales of leased equipment	-	-	-
Lease revenues	46,343,797	-	46,343,797
Fee and other income	2,471,872	46,012,771	48,484,643
Total Revenues	52,553,714	523,244,808	575,798,522
Cost of sales	3,569,825	429,204,364	432,774,189
Direct lease costs	11,508,820	-	11,508,820
Selling, general and administrative expenses	21,983,667	60,544,630	82,528,297
Segment earnings	15,491,402	33,495,814	48,987,216
Interest expense	5,450,537	530,517	5,981,054
Earnings before income taxes	$ 10,040,865	$ 32,965,297	$ 43,006,162
Assets	$ 255,776,519	$ 104,963,930	$ 360,740,449

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, 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		$ 0.24	$ 0.27		$ 0.27
Year Ended March 31, 2005						
Sales	$ 91,969	-	$ 91,969	$ 138,065	$ -	$ 138,065
Total Revenues	106,699	-	106,699	153,186	-	153,186
Cost of Sales	82,161	-	82,161	123,343	-	123,343
Total Costs and Expenses	103,012	-	103,012	149,702	-	149,702
Earnings before provision for income taxes	3,686	-	3,686	3,484	-	3,484
Provision for income taxes	1,511	-	1,511	1,428	-	1,428
Net earnings	2,175	-	2,175	2,055	-	2,055
Net earnings per common share- Basic (1)	$ 0.24		$ 0.24	$ 0.23		$ 0.23
Net earnings per common share- Diluted (1)	$ 0.23		$ 0.23	$ 0.22		$ 0.22

	Third Quarter			Fourth Quarter		
	Previously Reported	Adjustments	Adjusted Amount	Previously Reported	Adjustments	Adjusted Amount
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	$ 0.26		$ 0.26

Year Ended March 31, 2005						
Sales	$ 133,729	$ -	$ 133,729	$ 117,208	$ -	$ 117,208
Total Revenues	147,650	-	147,650	168,264	-	168,264
Cost of Sales	120,893	-	120,893	106,378	-	106,378
Total Costs and Expenses	144,912	-	144,912	135,166	-	135,166
Earnings before provision for income taxes	2,738	-	2,738	33,098	-	33,098
Provision for income taxes	1,123	-	1,123	13,656	-	13,656
Net earnings	1,616	-	1,616	19,442	-	19,442
Net earnings per common share- Basic (1)	$ 0.18		$ 0.18	$ 2.21		$ 2.21
Net earnings per common share- Diluted (1)	$ 0.17		$ 0.17	$ 2.06		$ 2.06

(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. LEGAL SETTLEMENT

On February 7, 2005 Ariba, Inc. was found liable by a jury for willfully infringing three U.S. patents held by the Company. On February 12, 2005, the Company settled the patent-infringement suit through a mutual settlement and license agreement ("the Agreement"). The Agreement provided that the Company receive, by March 31, 2005, a total of $37 million for the license of its patents. The following table shows the line items on the Statement of Earnings that were impacted by the settlement in the quarter ended March 31, 2005:

Fee and other income	$ 37,000,000
Professional and other fees	(3,060,792)
Salaries and benefits	(908,000)
Net amount realized before income taxes	$ 33,031,208

The increase in salaries and benefits was due to performance bonuses awarded to employees as a result of the settlement proceedings.

16. ACQUISITION

On May 28, 2004, ePlus purchased certain assets and assumed certain liabilities of Manchester Technologies, Inc. for total consideration of $7.0 million. The purchase was made by ePlus Technology, inc., a wholly-owned subsidiary of ePlus inc. The purchase price included $5.0 million in cash and the assumption of certain liabilities of approximately $2.0 million. Approximately 125 former Manchester Technologies, Inc. personnel were hired by ePlus as part of the transaction and are located in three established offices in metropolitan New York, South Florida and Baltimore.

The acquisition is being accounted for using the purchase method of accounting in accordance with the Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), whereby the total cost of the acquisition has been allocated to tangible and intangible assets acquired and the liabilities assumed based upon their fair values at the effective date of the acquisition. During the quarter ended March 31, 2005, the allocation was completed. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition:

Accounts receivable	$ 939
Property and equipment	91
Other assets	41
Other assets – intangible	94
Goodwill	5,882
Accrued expenses and other liabilities	(2,047)
Cash paid	$5,000

The following table reflects the results of the Company's operations on a pro-forma basis (unaudited) as if the acquisition had been completed on April 1, 2003 (in thousands, except for per-share data):

	Pro Forma (Unaudited) Year Ended March 31,	
	2004	2005
Operating revenue	449,466	601,605
Net income	12,069	25,010
Net earnings per share - Basic	$1.29	$2.81
Net earnings per share - Diluted	$1.21	$2.65
Weighted average shares outstanding - Basic	9,332,324	8,898,112
Weighted average shares outstanding - Diluted	9,976,458	9,433,250

The pro-forma financial information (unaudited) is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated as of the date indicated, nor are they indicative of future results.

SCHEDULE II

*e*Plus inc. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
For the years ended March 31, 2003, 2004, and 2005
(In Thousands)

		Additions		Deductions	
Description	Balance at beginning of period	(1) Charged to costs and expenses	Charged to other accounts	Write-offs	Balance at end of period
2005 Allowance for doubtful accounts and credit loss	$ 4,730	$ 1,131	($ 350)	($ 496)	$ 5,015
2004 Allowance for doubtful accounts and credit loss	$ 6,753	$ 47	($ 12)	($ 2,058)	$ 4,730
2003 Allowance for doubtful accounts and credit loss	$ 6,771	$ 616	($ 494)	($ 140)	$ 6,753

Exhibit 21

Subsidiaries of the Company
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*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 corporation, a wholly-owned subsidiary

*e*Plus Government Services, inc., a Commonwealth of Virginia corporation, 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 29, 2005, appearing in the Annual Report on Form 10-K of ePlus inc. for the year ended March 31, 2005.

/s/ Deloitte & Touche LLP

McLean Virginia
June 29, 2005

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 29, 2005

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

EXHIBIT 31.2

CERTIFICATION

I, Steven J. Mencarini, 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 29, 2005

/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, 2005, 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 29, 2005

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.

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