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The £99 laptop: how can it be so cheap?

A new budget computer aimed at schoolchildren is about to be launched. Our correspondent tries it out

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A new laptop computer for just £99 sounds like the kind of offer found in a spam e-mail or on a dodgy auction website. But the British company Elonex is launching the country's first sub £100 computer later this month and hopes to be making 200,000 of them by the summer. It will be aimed at schoolchildren and teenagers, and looks set to throw the market for budget laptops wide open.

Called the One, it can be used as a traditional notebook computer or, with the screen detached from the keyboard, as a portable "tablet" – albeit without the planned touchscreen that Elonex had to abandon to hit its £99 price tag. Wi-fi technology lets users access the internet or swap music (and homework) files between computers wirelessly.

Personal files can be stored on the laptop's 1GB of built-in memory or on a tough digital wristband (1-8GB, from £10) that children can plug into the USB socket of whichever computer they happen to be using, be it the One, a PC at school or their parents' laptop.

So how can Elonex make a computer for so little? After all, UK consumers paid an average of £477 for a new laptop in 2007, according to the retail analyst GfK.

The secret is simple: open-source software. The One runs on Linux, which is a rival to Windows but completely free to use. Open-source software can be freely swapped or modified by anyone who wants it. In the past such operating systems (there are several of them) have been outgunned by the more sophisticated Windows programs. However, an open-source operating system is ideal for low-cost devices as it performs well on less powerful, cheaper hardware.

Naturally, the One is more basic than all-singing, all-dancing notebooks. Nonetheless, it includes a free word processor and spreadsheet, a free web browser and free e-mail software. It has a 7in screen, a rubbery little keyboard and no CD drive. And it all runs on an ageing chip that was designed before its target audience of seven-year-olds were even born.

InGear had an exclusive hands-on look at a preproduction One. The keyboard was slow and spongy and the built-in speakers could be louder but the screen was bright and the software package impressively varied (if rather sluggish) on this prototype.

Preloaded programs ranged from instant messaging software and a photo editor to games and an MP3 player. Moving files to and from the USB wristband was easy enough – and there's a Bluetooth version with 2GB of memory (£120) that lets you swap files with mobile phones too.

Elonex will be launching the computer at the Education Show at the NEC in Birmingham at the end of this month, and is targeting schools as potential buyers.

The Elonex One isn't the only low-cost educational laptop out there, however. Asus launched an open-source laptop in the run-up to Christmas last year. The Eee PC (about £200) has proved popular with adults as well as children, with its first shipment selling out nationwide within hours of its November release.

The One Laptop per Child initiative, which began in America, hopes to offer a "Give one, get one" event this year in Britain, where consumers can buy two computers – one for themselves and one for a child abroad – for about £200.

But open-source software has its problems. If no one owns it, there's no one to complain to when things go wrong – and the One has no antivirus or firewall software built in. The old-fashioned feel of the One's programs could also flummox modern cyber-kids used to the slick menus, wizards and plug-and-play simplicity of Windows.

Of course, in the context of laptops costing more than £1,000 – and even copies of Microsoft Office software retailing at as much as £120 – paying £99 for a fully functional, internet-ready laptop packed with software isn't a huge risk to take.

And it's this magic price that is the One's biggest asset. The more that parents choose to buy Ones, the more music and games their kids will share, and the more sought after it will become. A laptop as the coolest thing in the playground? Stranger things have happened.