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COMPANY NUMBER 01616977

Bytes Technology Group Limited

Report and Financial Statements

Year Ended

28 February 2002

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BDO Stoy Hayward
Chartered Accountants

Bytes Technology Group Limited

Annual report and financial statements for the year ended 28 February 2002

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Directors

Mr K Richardson
Mr N R Murphy
Mr P D Redshaw
Mr G M Rochussen
Mr R Griggs
Mr D N Maw
Mr S Virdi
Mr R Hazel

Secretary and registered office

Mrs M Lane, 15-17 Chessington Road, West Ewell, Surrey, KT17 1TS

Company number

01616977

Auditors

BDO Stoy Hayward, Emerald House, East Street, Epsom Surrey, KT17 1HS

Report of the directors for the year ended 28 February 2002

The directors present their report together with the audited financial statements for the year ended 28 February 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Principal activities, review of business and future developments

The company's principal activity is a specialist IT services company providing a range of technical skills and services to support corporate networks. These services include Consultancy, Project Services, Licensing, Site Services, Support, Training and Systems Supply.

Charitable and political contributions

During the year the company made charitable contributions of £2,431 (2001 - £425). There were no political contributions.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

		Share options held in Bytes Technology Group Limited, a company incorporated in South Africa	
		28 February 2002	28 February 2001
Mr K Richardson		100,000	-
Mr N R Murphy		100,000	-
Mr P D Redshaw		-	-
Mr G M Rochussen		-	-
Mr R Griggs		-	-
Mr D N Maw		-	-
Mr S Virdi		100,000	-
Mr R Hazel	(Appointed 4 September 2001)	100,000	-

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

K Richardson

Director

10 May 2002

To the shareholders of Bytes Technology Group Limited

We have audited the financial statements of Bytes Technology Group Limited for the year ended 28 February 2002 on pages 5 to 17 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hay

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
Epsom

10 May 2002

Bytes Technology Group Limited

Profit and loss account for the year ended 28 February 2002

	Note	2002 £	2001 £
Turnover	2	**48,425,305**	42,940,801
Cost of sales		**39,659,830**	33,778,409
Gross profit		**8,765,475**	9,162,392
Administrative expenses		**7,278,505**	8,515,134
Operating profit	3	**1,486,970**	647,258
Other interest receivable and similar income	6	**119,546**	68,137
Interest payable and similar charges	7	**(6,423)**	(7,866)
Profit on ordinary activities before taxation		**1,600,093**	707,529
Taxation on profit on ordinary activities	8	**250,715**	212,258
Profit on ordinary activities after taxation for the year		**1,349,378**	495,271
Dividends	9	**-**	215,000
Retained profit for the financial year	17	**1,349,378**	280,271
Retained profit brought forward		**1,255,741**	975,470
Retained profit carried forward		**2,605,119**	1,255,741

All amounts relate to continuing activities.
All recognised gains and losses in the current and prior year are included in the profit and loss account.
There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

The notes on pages 8 to 17 form part of these financial statements.

Bytes Technology Group Limited

Balance sheet at 28 February 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	10		483,002		517,639
Fixed asset investment	11		110		110
			483,112		517,749
Current assets					
Stocks	12	7,922		143,168	
Debtors	13	4,972,764		4,004,485	
Cash at bank and in hand		4,568,706		5,163,985	
		9,549,392		9,311,638	
Creditors: amounts falling due within one year	14	6,841,548		7,985,223	
Net current assets			2,707,844		1,326,415
Total assets less current liabilities			3,190,956		1,844,164
Creditors: amounts falling due after more than one year	15		-		2,586
			3,190,956		1,841,578
Capital and reserves					
Called up share capital	16		29,921		29,921
Share premium account	17		555,916		555,916
Profit and loss account	17		2,605,119		1,255,741
Equity shareholders' funds			3,190,956		1,841,578

The financial statements were approved by the Board on 10 May 2002

K Richardson
Director

The notes on pages 8 to 17 form part of these financial statements.

Bytes Technology Group Limited

Cash flow statement for the year ended 28 February 2002

	Note	2002	2002	2001	2001
		£	£	£	£
Net cash (outflow)/inflow from operating activities	20		**(198,297)**		3,817,722
Returns on investments and servicing of finance					
Interest received		**119,546**		68,137	
Interest paid: other		**(3,535)**		(133)	
Interest paid: HP		**(2,888)**		(7,733)	
			113,123		60,271
Taxation					
Corporation tax paid		**(390,617)**		(245,278)	
			(390,617)		(245,278)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		**(136,863)**		(158,536)	
Payments to acquire fixed asset investments		**-**		(6)	
Receipts from sale of tangible fixed assets		**1,179**		40,380	
Receipts from sale of fixed asset investments		**-**		3,017	
			(135,684)		(115,145)
Equity dividend paid			**-**		(215,000)
Cash inflow before financing			**(611,475)**		3,302,570
Financing					
Capital element of finance leases repaid		**(5,840)**		(57,173)	
			(5,840)		(57,173)
(Decrease)/increase in cash	21		**(617,315)**		3,245,397

The notes on pages 8 to 17 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Short leasehold land and buildings	-	Period of the lease
Plant & machinery	-	33% straight line
Motor vehicles	-	25% straight line
Furniture and equipment	-	20% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less costs to disposal.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pensions

The company made payments to certain employees' individual pension plan during the year. These payments are made where the employee has made a salary sacrifice amounting to the contribution. These payments are charged to the profit and loss account, as a salary payment, in the year in which they are paid.

2 Turnover

	2002	2001
	£	£
Analysis by geographical market:		
United Kingdom	**47,953,901**	42,534,799
Europe	**471,404**	406,002
	48,425,305	42,940,801

Turnover is wholly attributable to the principal activity of the company.

3 Operating profit

	2002	2001
	£	£
This is arrived at after charging:		
Depreciation of tangible fixed assets	**167,776**	199,825
Loss on disposal of tangible fixed assets	**2,545**	18,488
Hire of plant and machinery - operating leases	**326,956**	322,054
Audit services	**8,800**	15,200

4 Employees

Staff costs (including directors) consist of:

	2002	2001
	£	£
Wages and salaries	**4,298,011**	4,712,608
Social security costs	**481,743**	526,955
Other pension costs	**11,585**	4,528
	4,791,339	5,244,091

4 Employees *(continued)*

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

	2002 Number	2001 Number
Administration	**20**	17
Sales	**42**	39
Technical	**42**	49
	104	105

5 Directors' remuneration

	2002 £	2001 £
Directors' emoluments	**604,297**	493,283
Compensation for loss of office	**-**	201,680

The total amount payable to the highest paid director in respect of emoluments and amounts receivable under long term incentive schemes was £247,514 (2001 - £201,240).

6 Other interest receivable and similar income

	2002 £	2001 £
Bank deposits	**119,368**	68,137
Exchange gains	**178**	-
	119,546	68,137

7 Interest payable and similar charges

	2002 £	2001 £
Bank loans and overdrafts	**718**	130
Finance leases and hire purchase contracts	**2,888**	7,733
Interest payable other	**2,817**	3
	6,423	7,866

8 *Taxation on profit on ordinary activities*

	2002 £	2001 £
Current tax		
UK corporation tax on profits of the year	**396,916**	212,258
Adjustment in respect of previous periods	**(146,201)**	-
Total current tax	**250,715**	212,258

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before tax	**1,600,093**	707,529
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 30%)	**480,028**	212,258
Effect of:		
Expenses not deductible for tax purposes	**23,982**	10,326
Depreciation for period in excess of capital allowances	**3,022**	(7,584)
Tax losses claimed from other group companies	**(110,116)**	-
Adjustments to tax charge in respect of prior periods due to losses claimed from other group companies	**(146,201)**	-
Current tax charge for period	**250,715**	215,000

8 Taxation on profit on ordinary activities *continued*

9 Dividends

	2002 £	2001 £
Equity shares		
Ordinary shares		
Interim paid of £nil (2001 - £7.18) per share	-	215,000

10 Tangible fixed assets

	Short leasehold land and buildings £	Plant and machinery £	Office equipment £	Total £
Cost				
At 1 March 2001	306,803	571,326	239,166	1,117,295
Additions	15,278	109,271	12,314	136,863
Disposals	-	(76,169)	(527)	(76,696)
At 28 February 2002	**322,081**	**604,428**	**250,953**	**1,177,462**
Depreciation				
At 1 March 2001	57,013	392,159	150,484	599,656
Provided for the year	21,851	106,532	39,393	167,776
Disposals	-	(72,864)	(108)	(72,972)
At 28 February 2002	**78,864**	**425,827**	**189,769**	**694,460**
Net book value				
At 28 February 2002	**243,217**	**178,601**	**61,184**	**483,002**
At 28 February 2001	249,790	179,167	88,682	517,639

The net book value of tangible fixed assets includes an amount of £6,678 (2001 - £10,572) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £3,895 (2001 - £3,895).

11 Fixed asset investments

	Group undertakings £
Cost or valuation	
At 1 March 2001 and 28 February 2002	**110**
Net book value	
At 28 February 2001 and 28 February 2002	**110**

12 Stocks

	2002 £	2001 £
Finished goods and goods for resale	**7,922**	143,168

There is no material difference between the replacement cost of stocks and the amounts stated above.

13 Debtors

	2002 £	2001 £
Trade debtors	**4,430,922**	3,766,194
Amounts owed by group undertakings	**400,475**	127,438
Corporation tax recoverable	**27,644**	-
Other debtors	**41,170**	40,499
Prepayments and accrued income	**72,553**	70,354
	4,972,764	4,004,485

All amounts shown under debtors fall due for payment within one year.

14 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts (secured)	**22,036**	-
Payments received on account	**226,101**	-
Trade creditors	**4,346,439**	5,028,880
Amounts owed to group undertakings	**378,174**	-
Taxation and social security	**666,331**	452,846
Corporation tax	-	112,258
Obligations under finance lease and hire purchase contracts	**2,585**	5,839
Other creditors	**23,849**	9,272
Accruals and deferred income	**1,176,033**	2,376,128
	6,841,548	7,985,223

15 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Obligations under finance lease and hire purchase contracts	-	2,586

Maturity of debt:

	Finance leases 2002 £	Finance leases 2001 £
In one year or less, or on demand	**2,585**	5,839
In more than one year but not more than two years	-	2,586

16 Share capital

	Authorised 2002 £	Authorised 2001 £	Allotted, called up and fully paid 2002 £	Allotted, called up and fully paid 2001 £
Equity share capital				
2,420,726 "A" Ordinary shares of 1p each	**24,207**	24,207	**24,207**	24,207
571,400 "B" Ordinary shares of 1p each	**5,714**	5,714	**5,714**	5,714
	29,921	29,921	**29,921**	29,921

16 Share capital *(continued)*

17 Reserves

	Share premium account £	Profit and loss account £
At 1 March 2001	555,916	1,255,741
Profit for the year	-	1,349,378
At 28 February 2002	**555,916**	**2,605,119**

18 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £	2002 Other £	2001 Land and buildings £	2001 Other £
Operating leases which expire:				
Within one year	**4,896**	**14,781**	12,479	27,067
In two to five years	-	**55,188**	-	63,713
After five years	**52,000**	-	52,000	-
	56,896	**69,969**	64,479	90,780

19 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by Allied Electronics Corporation on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

20 Reconciliation of operating profit before exceptional items to net cash (outflow)/inflow from operating activities

	2002 £	2001 £
Operating profit before exceptional items	**1,486,970**	647,258
Depreciation of tangible fixed assets	**167,776**	200,470
Loss on sale of tangible fixed assets	**2,545**	18,488
Decrease/(increase) in stocks	**135,246**	(28,846)
Increase in debtors	**(940,635)**	(253,915)
Decrease/(increase) in creditors	**(1,050,199)**	3,234,267
Net cash (outflow)/inflow from operating activities	**(198,297)**	3,817,722

21 Reconciliation of net cash flow to movement in net funds

	2002 £	2001 £
(Decrease)/increase in cash	**(617,315)**	3,245,397
Cash outflow from changes in debt	**5,840**	57,173
Movement in net funds	**(611,475)**	3,302,570
Opening net funds	**5,155,560**	1,852,990
Closing net funds	**4,544,085**	5,155,560

22 Analysis of net funds

	At 1 March 2001 £	Cash flow £	At 28 February 2002 £
Cash at bank and in hand	5,163,985	(595,279)	**4,568,706**
Bank overdrafts	-	(22,036)	**(22,036)**
Finance leases	(8,425)	5,840	**(2,585)**
Total	5,155,560	(611,475)	**4,544,085**

23 Ultimate parent company and parent undertaking of larger group

At 29 February 2000 the company's parent company was USKO (UK) Limited, a company incorporated in the United Kingdom. The ultimate parent company is Allied Electronics Corporation Limited, a company incorporated in the Republic of South Africa.