

REGISTRAR'S COPY
COMPANY NUMBER 01616977

Bytes Technology Group Limited

Report and Financial Statements

Year Ended

28 February 2003

BDO
BDO Stoy Hayward
Chartered Accountants



A13
COMPANIES HOUSE

AC09DPEZ

0125
22/10/03

Bytes Technology Group Limited

Annual report and financial statements for the year ended 28 February 2003

Contents

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

K Richardson
NR Murphy
PD Redshaw
S Virdi
P Riskowitz

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

Bytes Technology Group Limited

Report of the directors for the year ended 28 February 2003

The directors present their report together with the audited financial statements for the year ended 28 February 2003.

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, Training and Systems Supply.

The directors are satisfied with their performance and future prospects of the company.

Charitable and political contributions

During the year the company made charitable contributions of £1,047. There were no political contributions.

Policy and practice on the payment of creditors

The company will follow its code on payment practice, known as "Bill Code", during the next year. This code is available at our registered office and sets out the company's policy of settling terms of payment with its suppliers when agreeing the terms of transactions and of ensuring suppliers are made aware of them. The company has a successful record of abiding by the terms of "Bill Code" and this is expected to continue.

The number of average days purchases of the company represented by trade creditors at 28 February 2003 was 28.

Directors

The directors of the company during the year were:

K Richardson	
NR Murphy	
PD Redshaw	
GM Rochussen	Resigned 20th February 2003
R Griggs	Resigned 20th February 2003
DN Maw	Resigned 20th February 2003
S Virdi	
R Hazel	Resigned 3rd October 2002
P Riskowitz	Appointed 20th February 2003

No director had any beneficial interest in the share capital of the company.

Bytes Technology Group Limited

Report of the directors for the year ended 28 February 2003 (*Continued*)

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.

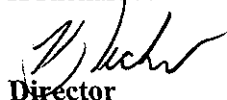
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Director

15 September 2003

Bytes Technology Group Limited

Report of the independent auditors

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 2003 on pages 5 to 16 which have been prepared under the accounting policies set out on page 7 to 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

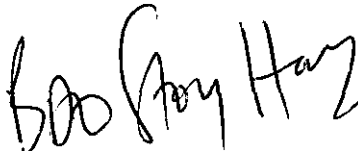
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Bytes Technology Group Limited

Report of the independent auditors (*Continued*)

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward', is written over a long, sweeping diagonal line that extends from the signature area towards the top right of the page.

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
Epsom

15 September 2003

Bytes Technology Group Limited**Profit and loss account for the year ended 28 February 2003**

	Note	2003 £	2002 £
Turnover	2	73,990,534	48,425,305
Cost of sales		64,413,231	39,659,830
Gross profit		9,577,303	8,765,475
Administrative expenses		7,460,491	7,278,505
Operating profit/(loss)	3	2,116,812	1,486,970
Other interest receivable and similar income	6	196,888	119,546
Interest payable and similar charges	7	(2,527)	(6,423)
Profit on ordinary activities before taxation		2,311,173	1,600,093
Taxation on profit on ordinary activities	8	389,213	250,715
Profit on ordinary activities after taxation		1,921,960	1,349,378
Retained profit brought forward	15	2,605,119	1,255,741
Retained profit carried forward	15	4,527,079	2,605,119

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.

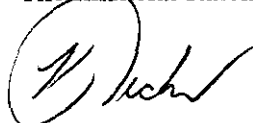
The notes on pages 7 to 16 form part of these financial statements.

Bytes Technology Group Limited

Balance sheet at 28 February 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	9		409,007		483,002
Fixed asset investments	10		106		110
			409,113		483,112
Current assets					
Stocks	11	39,735		7,922	
Debtors	12	4,734,490		4,972,764	
Cash at bank and in hand		4,163,288		4,568,706	
		8,937,513		9,549,392	
Creditors: amounts falling due within one year	13	4,233,710		6,841,548	
Net current assets			4,703,803		2,707,844
Total assets less current liabilities			5,112,916		3,190,956
Capital and reserves					
Called up share capital	14		29,921		29,921
Share premium account	15		555,916		555,916
Profit and loss account	15		4,527,079		2,605,119
Equity shareholders' funds			5,112,916		3,190,956

The financial statements were approved by the Board on 15 September 2003.



Director



Director

The notes on pages 7 to 16 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:

Consolidated financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group.

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
Computer hardware and software	- 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.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

1 Accounting policies (continued)

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. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it 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.

Pension costs

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

	2003 £	2002 £
Analysis by geographical market:		
United Kingdom	68,011,685	47,953,901
Europe	943,655	471,404
USA	5,035,194	-
	73,990,534	48,425,305

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

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)

3 Operating profit

	2003 £	2002 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	175,169	167,776
Loss on disposal of tangible fixed assets	2,339	2,545
Hire of plant and machinery - operating leases	73,783	274,956
Hire of other assets - operating leases	52,000	52,000
Audit services	17,630	8,800
Exchange differences	(18,080)	-
	<u> </u>	<u> </u>

4 Employees

Staff costs (including directors) consist of:

	2003 £	2002 £
Wages and salaries	5,103,464	4,298,011
Social security costs	536,814	481,743
Other pension costs	-	11,585
	<u> </u>	<u> </u>
	5,640,278	4,791,339
	<u> </u>	<u> </u>

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

	2003 Number	2002 Number
Administration	22	20
Sales	50	42
Technical	37	42
	<u> </u>	<u> </u>
	109	104
	<u> </u>	<u> </u>

Bytes Technology Group Limited**Notes forming part of the financial statements for the year ended 28 February 2003 (Continued)****5 Directors' remuneration**

	2003 £	2002 £
Directors' emoluments	658,250	604,297

The total amount payable to the highest paid director in respect of emoluments and amounts receivable under long term incentive schemes was £273,805 (2002 - £247,514).

6 Other interest receivable and similar income

	2003 £	2002 £
Bank deposits	196,888	119,368
Exchange gains	-	178
	196,888	119,546

7 Interest payable and similar charges

	2003 £	2002 £
Bank loans and overdrafts	2,254	718
Finance leases and hire purchase contracts	273	2,888
Interest payable other	-	2,817
	2,527	6,423

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)

8 Taxation on profit on ordinary activities

	2003 £	2003 £	2002 £	2002 £
<i>UK Corporation tax</i>				
Current tax on profits of the year	389,213		396,916	
Adjustment in respect of previous periods	-		(146,201)	
	<u> </u>		<u> </u>	
Total current tax		<u>389,213</u>		<u>250,715</u>

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

	2003 £	2002 £
Profit on ordinary activities before tax	<u>2,311,173</u>	<u>1,600,093</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 - 30%)	693,352	480,028
Effect of:		
Expenses not deductible for tax purposes	34,181	23,983
Capital allowances for period in excess of depreciation	7,916	3,022
Utilisation of tax losses	<u>(346,236)</u>	<u>(256,318)</u>
Current tax charge for period	<u>389,213</u>	<u>250,715</u>

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)

9 Tangible fixed assets

	Short leasehold land and buildings £	Computer hardware and software £	Office equipment £	Total £
<i>Cost</i>				
At 1 March 2002	322,081	604,428	250,953	1,177,462
Additions	2,975	88,586	12,493	104,054
Disposals	-	(108,190)	-	(108,190)
At 28 February 2003	325,056	584,824	263,446	1,173,326
<i>Depreciation</i>				
At 1 March 2002	78,864	425,827	189,769	694,460
Provided for the year	22,475	121,154	31,540	175,169
Disposals	-	(105,310)	-	(105,310)
At 28 February 2003	101,339	441,671	221,309	764,319
<i>Net book value</i>				
At 28 February 2003	223,717	143,153	42,137	409,007
At 28 February 2002	243,217	178,601	61,184	483,002

The net book value of tangible fixed assets includes an amount of £NIL (2002 - £6,678) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £NIL (2002 - £3,895).

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 28 February 2003 *(Continued)*

10 Fixed asset investments

	Group undertakings £
<i>Cost or valuation</i>	
At 1 March 2002	110
Disposals	(4)
	—
At 28 February 2003	106
	—
<i>Net book value</i>	
At 28 February 2003	106
	—
At 28 February 2002	110
	—

Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
Pure Licensing Limited	England and Wales	100	Dormant
Ec-Co UK Limited	England and Wales	100	Dormant
Bytes Technology Training Limited	England and Wales	100	Dormant
Bytes Technology Solutions Limited	England and Wales	100	Dormant
Pure - Group Limited	England and Wales	100	Dormant
Pure Training Limited	England and Wales	100	Dormant

11 Stocks

	2003 £	2002 £
Finished goods and goods for resale	39,735	7,922
	—	—

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

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 28 February 2003 (Continued)

12 Debtors

	2003 £	2002 £
Trade debtors	3,004,360	4,430,922
Amounts owed by group undertakings	1,649,687	400,475
Corporation tax recoverable	-	27,644
Other debtors	38,883	41,170
Prepayments and accrued income	41,560	72,553
	4,734,490	4,972,764

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

13 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts (secured)	-	22,036
Payments received on account	-	226,101
Trade creditors	2,204,699	4,346,439
Amounts owed to group undertakings	187	378,174
Corporation tax	99,213	-
Other taxation and social security	385,704	666,331
Obligations under finance lease and hire purchase contracts	(278)	2,585
Other creditors	6,328	23,849
Accruals and deferred income	1,537,857	1,176,033
	4,233,710	6,841,548

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 28 February 2003 (*Continued*)

14 Share capital

	2003 £	Authorised 2002 £	Allotted, called up and fully paid 2003 £	2002 £
<i>Equity share capital</i>				
2,420,726 "A" Ordinary shares of 1p each	47,093	47,093	24,207	24,207
571,400 "B" Ordinary shares of 1p each	5,714	5,714	5,714	5,714
	<u>52,807</u>	<u>52,807</u>	<u>29,921</u>	<u>29,921</u>

15 Reserves

	Share premium account £	Profit and loss account £
At 1 March 2002	555,916	2,605,119
Profit for the year	-	1,921,960
	<u>555,916</u>	<u>4,527,079</u>
At 28 February 2003		

16 Commitments under operating leases

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

	2003 Land and buildings £	2003 Other £	2002 Land and buildings £	2002 Other £
Operating leases which expire:				
Within one year	5,184	4,448	4,896	14,781
In two to five years	-	18,580	-	55,188
After five years	52,000	-	52,000	-
	<u>57,184</u>	<u>23,028</u>	<u>56,896</u>	<u>69,969</u>

17 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.

18 Ultimate parent company and parent undertaking of larger group

At 28 February 2003 the company's parent company was Bytes Technology Group Holdings 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.