

REGISTRAR'S COPY

COMPANY NUMBER 01616977

Bytes Technology Group Limited

Report and Financial Statements

Year Ended

29 February 2004

BDO

BDO Stoy Hayward
Chartered Accountants



Bytes Technology Group Limited

Annual report and financial statements for the year ended 29 February 2004

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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 LLP, Emerald House, East Street, Epsom Surrey, KT17 1HS

Bytes Technology Group Limited

Report of the directors for the year ended 29 February 2004

The directors present their report together with the audited financial statements for the year ended 29 February 2004.

Results and dividends

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

Interim dividends of 83.55p per share were paid to ordinary shareholders during the year. The directors do not recommend the payment of a final dividend.

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, Software Licensing, Software Asset Management, 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 £2,375. 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 29 February 2004 was 21.

Directors

The directors of the company during the year were:

K Richardson
NR Murphy
PD Redshaw
S Virdi
P Riskowitz

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 29 February 2004 (*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

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to re-appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

On behalf of the board


K Richardson

Director

Date: 5 July 2004

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 29 February 2004 on pages 5 to 16 which have been prepared under the accounting policies set out on pages 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.

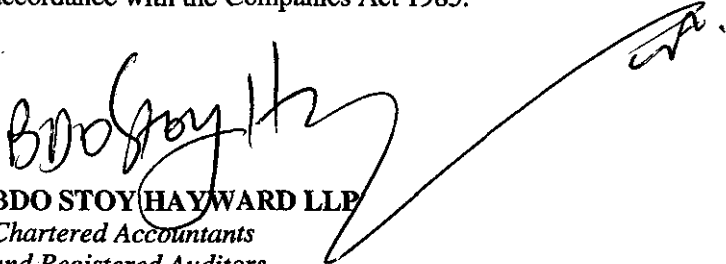
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 29 February 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
Epsom

Date:

22 December 2004.

Bytes Technology Group Limited**Profit and loss account for the year ended 29 February 2004**

	Note	2004 £	2003 £
Turnover	2	44,592,250	73,990,534
Cost of sales		38,811,078	64,413,231
Gross profit		5,781,172	9,577,303
Administrative expenses		4,470,840	7,460,491
Operating profit	3	1,310,332	2,116,812
Other interest receivable and similar income	6	131,816	196,888
Interest payable and similar charges	7	(388)	(2,527)
Profit on ordinary activities before taxation		1,441,760	2,311,173
Taxation on profit on ordinary activities	8	-	389,213
Profit on ordinary activities after taxation		1,441,760	1,921,960
Dividends	9	2,500,000	-
(Accumulated loss)/retained profit	16	(1,058,240)	1,921,960
Retained profit brought forward	16	4,527,079	2,605,119
Retained profit carried forward	16	3,468,839	4,527,079

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 29 February 2004

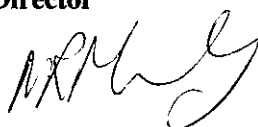
	Note	2004 £	2004 £	2003 £	2003 £
Fixed assets					
Tangible assets	10		368,619		409,007
Fixed asset investments	11		106		106
			<u>368,725</u>		<u>409,113</u>
Current assets					
Stocks	12	14,576		39,735	
Debtors	13	7,290,687		4,734,490	
Cash at bank and in hand		2,050,435		4,163,288	
		<u>9,355,698</u>		<u>8,937,513</u>	
Creditors: amounts falling due within one year	14	5,669,747		4,233,710	
		<u></u>		<u></u>	
Net current assets			3,685,951		4,703,803
			<u></u>		<u></u>
Total assets less current liabilities			4,054,676		5,112,916
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	15		29,921		29,921
Share premium account	16		555,916		555,916
Profit and loss account	16		3,468,839		4,527,079
			<u></u>		<u></u>
Equity shareholders' funds			4,054,676		5,112,916
			<u></u>		<u></u>

The financial statements were approved by the Board on 5 JULY 2004

K Richardson
Director



NR Murphy
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 either sales to external customers at invoiced amounts less value added tax, or commissions and incentive payments obtained from a third party for the sale of licences.

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
Office 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.

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 29 February 2004 (*Continued*)

1 Accounting policies (*continued*)

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.

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.

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 29 February 2004 (*Continued*)

2 Turnover

	2004 £	2003 £
Analysis by geographical market:		
United Kingdom	44,317,180	68,011,685
Europe	275,070	943,655
USA	-	5,035,194
	<u>44,592,250</u>	<u>73,990,534</u>

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

3 Operating profit

	2004 £	2003 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	146,444	175,169
Loss on disposal of tangible fixed assets	283	2,339
Hire of plant and machinery - operating leases	25,483	73,783
Hire of other assets - operating leases	85,392	52,000
Audit services	14,500	17,630
Exchange differences	10,703	(18,080)
	<u> </u>	<u> </u>

4 Employees

Staff costs (including directors) consist of:

	2004 £	2003 £
Wages and salaries	3,526,097	5,103,464
Social security costs	407,736	536,814
	<u>3,933,833</u>	<u>5,640,278</u>

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 29 February 2004 (Continued)

4 Employees (continued)

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

	2004 Number	2003 Number
Administration	20	22
Sales	42	50
Technical	18	37
	80	109

5 Directors' remuneration

	2004 £	2003 £
Directors' emoluments	568,918	658,250

The total amount payable to the highest paid director in respect of emoluments was £216,854 (2003 - £273,805).

6 Other interest receivable and similar income

	2004 £	2003 £
Bank deposits	131,816	196,888

7 Interest payable and similar charges

	2004 £	2003 £
Bank loans and overdrafts	110	2,254
Finance leases and hire purchase contracts	278	273
	388	2,527

Bytes Technology Group LimitedNotes forming part of the financial statements for the year ended 29 February 2004 (*Continued*)**8 Taxation on profit on ordinary activities**

	2004 £	2003 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	-	389,213

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

	2004 £	2003 £
Profit on ordinary activities before tax	1,441,760	2,311,173
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	432,528	693,352
Effect of:		
Expenses not deductible for tax purposes	18,190	34,181
Capital allowances for period in excess of depreciation	1,567	7,916
Utilisation of tax losses	(452,285)	(346,236)
Current tax charge for period	-	389,213

9 Dividends

	2004 £	2003 £
<i>Equity shares</i>		
Ordinary shares		
Interim paid of 83.55p (2003 - £nil) per share	2,500,000	-

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 29 February 2004 (*Continued*)

10 Tangible fixed assets

	Short leasehold land and buildings £	Computer hardware and software £	Office equipment £	Total £
<i>Cost</i>				
At 1 March 2003	325,056	584,824	263,446	1,173,326
Additions	1,150	103,992	1,374	106,516
Disposals	-	(2,415)	-	(2,415)
At 29 February 2004	326,206	686,401	264,820	1,277,427
<i>Depreciation</i>				
At 1 March 2003	101,339	441,671	221,309	764,319
Provided for the year	22,311	102,475	21,658	146,444
Disposals	-	(1,955)	-	(1,955)
At 29 February 2004	123,650	542,191	242,967	908,808
<i>Net book value</i>				
At 29 February 2004	202,556	144,210	21,853	368,619
At 28 February 2003	223,717	143,153	42,137	409,007

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 29 February 2004 (*Continued*)

11 Fixed asset investments

	Group undertakings £
<i>Cost or valuation</i>	
At 1 March 2003 and 29 February 2004	106

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 Training Limited	England and Wales	100	Dormant

12 Stocks

	2004 £	2003 £
Finished goods and goods for resale	14,576	39,735

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 29 February 2004 (*Continued*)

13 Debtors

	2004 £	2003 £
Trade debtors	3,773,904	3,004,360
Amounts owed by group undertakings	3,435,242	1,649,687
Other debtors	45,944	38,883
Prepayments and accrued income	35,597	41,560
	<u>7,290,687</u>	<u>4,734,490</u>

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

14 Creditors: amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts (secured)	476,127	-
Trade creditors	2,210,689	2,204,699
Amounts owed to group undertakings	52,785	187
Corporation tax	106	99,213
Other taxation and social security	485,284	385,704
Obligations under finance lease and hire purchase contracts	-	(278)
Other creditors	9,480	6,328
Accruals and deferred income	2,435,276	1,537,857
	<u>5,669,747</u>	<u>4,233,710</u>

15 Share capital

	Authorised		Allotted, called up and fully paid	
	2004 £	2003 £	2004 £	2003 £
<i>Equity share capital</i>				
2,420,726 "A" Ordinary shares of 1p each	-	47,093	-	24,207
571,400 "B" Ordinary shares of 1p each	-	5,714	-	5,714
2,992,216 Ordinary shares of 1p each	52,807	-	29,921	-
	<u>52,807</u>	<u>52,807</u>	<u>29,921</u>	<u>29,921</u>

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 29 February 2004 (*Continued*)

15 Share capital (*continued*)

At 21 July 2003 'A' and 'B' shares were redeemed and replaced by a single class of ordinary share.

16 Reserves

	Share premium account £	Profit and loss account £
At 1 March 2003	555,916	4,527,079
Profit for the year	-	1,441,760
Dividends	-	(2,500,000)
At 29 February 2004	555,916	3,468,839

17 Commitments under operating leases

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

	2004 Land and buildings £	2004 Other £	2003 Land and buildings £	2003 Other £
Operating leases which expire:				
Within one year	5,288	1,473	5,184	4,448
In two to five years	-	-	-	18,580
After five years	52,000	-	52,000	-
	57,288	1,473	57,184	23,028

Bytes Technology Group Limited

Notes forming part of the financial statements for the year ended 29 February 2004 (*Continued*)

18 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.

19 Ultimate parent company and parent undertaking of larger group

At 29 February 2004 the company's parent company was Bytes Technology Group Holdings Limited, a company incorporated in the United Kingdom. The consolidated accounts for the UK group can be obtained from 15 - 17 Chessington Road, West Ewell, Surrey, KT17 1TS. The ultimate parent company is Allied Electronics Corporation Limited, a company incorporated in the Republic of South Africa. The consolidated accounts for the group can be obtained from 4 Sherborne Road, Parktown, Houghton 2041, South Africa.