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Bytes Technology Group Limited

Report and Financial Statements

Year Ended

28 February 2006

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BDO Stoy Hayward
Chartered Accountants

Bytes Technology Group Limited

Annual report and financial statements for the year ended 28 February 2006

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Directors

K Richardson
NR Murphy
PD Redshaw
SS Virdi
PR Riskowitz
DN Maw (appointed 3 April 2006)

Secretary and registered office

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

Company number

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Auditors

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

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Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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; 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 LLP 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

Date: 13 OCTOBER 2006

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 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2006 and of its profit for the year then ended; and

- the financial statements have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
Epsom

Date: 21 November 2006

Profit and loss account for the year ended 28 February 2006

	Note	2006 £	2005 £
Turnover	2	**45,544,869**	40,108,362
Cost of sales		**39,389,075**	34,815,422
Gross profit		**6,155,794**	5,292,940
Administrative expenses		**5,190,698**	4,735,720
Operating profit	3	**965,096**	557,220
Other interest receivable and similar income	6	**46,401**	37,733
Interest payable and similar charges	7	**-**	(2,029)
Profit on ordinary activities before taxation		**1,011,497**	592,924
Taxation on profit on ordinary activities	8	**313,250**	204,099
Profit on ordinary activities after taxation		**698,247**	388,825
Retained profit brought forward	15	**3,857,664**	3,468,839
Retained profit carried forward	15	**4,555,911**	3,857,664

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 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	9		**280,644**		299,278
Fixed asset investments	10		**106**		106
			280,750		299,384
Current assets					
Stocks	11	**8,513**		13,606	
Debtors	12	**12,315,245**		8,499,669	
Cash at bank and in hand		**1,376,066**		657,250	
		13,699,824		9,170,525	
Creditors: amounts falling due within one year	13	**8,838,826**		5,026,408	
Net current assets			**4,860,998**		4,144,117
Total assets less current liabilities			**5,141,748**		4,443,501
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		**4,555,911**		3,857,664
Shareholders' funds			**5,141,748**		4,443,501

The financial statements were approved by the board of directors and authorised for issue on 13 October 2006

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.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Bytes Technology Group Holdings Limited and the company is included in consolidated financial statements.

Turnover

Turnover represents either sales to external customers at invoiced amounts less value added tax based on goods or services delivered, 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 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.

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.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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 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 is not recognised on timing differences arising on revalued properties unless the **company/group** has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and

Deferred tax balances are not discounted.

Leased assets

All 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

	2006 £	2005 £
Analysis by geographical market:		
United Kingdom	**44,994,425**	39,544,025
Europe	**550,444**	564,337
	45,544,869	40,108,362

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

3 Operating profit

	2006 £	2005 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	**97,706**	128,033
Loss on disposal of tangible fixed assets	**1,879**	271
Hire of plant and machinery - operating leases	**-**	3,344
Hire of other assets - operating leases	**-**	64,976
Audit services	**20,594**	24,603
Exchange differences	**18,438**	(95)

4 Employees

Staff costs (including directors) consist of:

	2006 £	2005 £
Wages and salaries	**3,540,740**	2,947,391
Social security costs	**412,610**	315,926
	3,953,350	3,263,317

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

	2006 Number	2005 Number
Administration	**20**	22
Sales	**27**	27
Technical	**30**	25
	77	74

5 Directors' remuneration

	2006 £	2005 £
Directors' emoluments	**204,084**	194,352

The total amount payable to the highest paid director in respect of emoluments was £204,084 (2005 - £194,352).

6 Other interest receivable and similar income

	2006 £	2005 £
Bank interest receivable	**46,401**	37,733

7 Interest payable and similar charges

	2006 £	2005 £
Bank loans and overdrafts	-	2,029

8 Taxation on profit on ordinary activities

	2006 £	2005 £
UK Corporation tax		
Current tax on profits of the year	**313,250**	18,781
Adjustment in respect of previous periods	**-**	5,318
Group relief	**-**	180,000
Total current tax	**313,250**	204,099

The tax assessed for the year differs to the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £	2005 £
Profit on ordinary activities before tax	**1,011,497**	592,924
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	**303,449**	177,877
Effect of:		
Expenses not deductible for tax purposes	**17,212**	16,033
Capital allowances for period in excess of depreciation	**(2,874)**	827
Adjustment to tax charge in respect of previous periods	**-**	5,318
(Decrease)/increase in provisions	**(4,537)**	4,044
Current tax charge for year	**313,250**	204,099

9 Tangible fixed assets

	Short leasehold land and buildings £	Computer hardware and software £	Office furniture and equipment £	Total £
Cost				
At 1 March 2005	324,789	720,191	266,620	1,311,600
Additions	24,515	56,161	275	80,951
Disposals	-	(202,990)	(42,265)	(245,255)
At 28 February 2006	**349,304**	**573,362**	**224,630**	**1,147,296**
Depreciation				
At 1 March 2005	143,764	614,489	254,069	1,012,322
Provided for the year	21,248	69,898	6,560	97,706
Disposals	-	(201,458)	(41,918)	(243,376)
At 28 February 2006	**165,012**	**482,929**	**218,711**	**866,652**
Net book value				
At 28 February 2006	**184,292**	**90,433**	**5,919**	**280,644**
At 28 February 2005	181,025	105,702	12,551	299,278

10 Fixed asset investments

	Group undertakings £
Cost or valuation	
At 1 March 2005 and 28 February 2006	**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

11 Stocks

	2006 £	2005 £
Goods for resale	**8,513**	13,606

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

12 Debtors

	2006 £	2005 £
Trade debtors	**6,665,645**	2,952,667
Amounts owed by group undertakings	**5,432,364**	5,328,751
Corporation tax recoverable	**-**	144,005
Other debtors	**52,569**	42,342
Prepayments and accrued income	**164,667**	31,904
	12,315,245	8,499,669

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

13 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	**3,283,327**	1,823,316
Amounts owed to group undertakings	**204,066**	-
Corporation tax	**137,349**	-
Other taxation and social security	**1,170,584**	766,573
Other creditors	**-**	12,247
Accruals and deferred income	**4,043,500**	2,424,272
	8,838,826	5,026,408

14 Share capital

	2006 £	2005 £
Authorised		
9,000,000 Ordinary shares of 1p each	**90,000**	90,000

	2006 £	2005 £
Allotted, called up and fully paid		
2,992,216 Ordinary shares of 1p each	**29,921**	29,921

15 Reserves

	Share premium account £	Profit and loss account £
At 1 March 2005	555,916	3,857,664
Profit for the year	-	698,247
At 28 February 2006	**555,916**	**4,555,911**

16 Commitments under operating leases

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

	2006 Land and buildings £	2005 Land and buildings £
Operating leases which expire:		
Within one year	**20,060**	5,496
After five years	**66,000**	66,000
	86,060	71,496

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 2006, the company's immediate 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.