

Bytes Software Services Limited

Report and Financial Statements

Year Ended

28 February 2011

Company Number 01616977



Bytes Software Services Limited

**Report and financial statements
for the year ended 28 February 2011**

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Directors

K A Richardson
N R Murphy
P D Redshaw (Chairman)
D Spence
A J Nicholson

Secretary and registered office

T Sexton, 15-17 Chessington Road, West Ewell, Surrey, KT17 ITS

Company number

01616977

Auditors

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

Bytes Software Services Limited

Report of the directors for the year ended 28 February 2011

The directors present their report together with the audited financial statements for the year ended 28 February 2011

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

Principal activities, review of business and future developments

The principal activities of the company throughout the year, were and continue to be the sales of Software Products, Software Licensing Solutions, Software Asset Management Services and Learning Solutions

In the year under review the company continued to show excellent organic growth with turnover up by 15.1%. Gross margins remained fairly static (2011: 10%, 2010: 9.9%). Operating profit of £4.06m (2010: £3.59m) was up by 13.1% on the previous year which was ahead of expectations due to a large order from Connecting For Health. Overall during the year the company showed significant growth in its Software Portfolio Management Services, Training and spread of Software Vendors. Cash increased by £9.9m. This was predominantly due to the cash generated by operating activities, repayment of an inter-company loan and an increase in VAT due on high December sales paid in March.

During December and January the company has made a significant investment in sales headcount (12 new heads) with the intention of increasing focus on the Mid Market space.

In the coming year the company will continue to focus on delivering Software Portfolio Management Services that assist our customers to maximise their return from their software investments.

Key performance indicators

The directors regard turnover, operating profit and gross margin as the Key Performance Indicators of the company. Details regarding these are given in the review of business above.

Principal risks and uncertainties

A significant portion of the company's revenues are from the sale of Microsoft Software and associated services and we therefore remain strongly dependent thereon.

Financial instruments

The main financial risks arising from the company's activities are credit, liquidity and exchange risks.

The company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made.

The company's policy in respect of the liquidity risk is to maintain a readily accessible bank deposit account to ensure that the company has sufficient funds for operation. The cash deposits are held in a mixture of short term deposits and current accounts which earn interest at a floating rate.

The company's policy in respect of exchange risk, which primarily exists as a result of foreign currency purchases, is to either sell in the currency of purchase or maintain sufficient cash reserves in the appropriate foreign currencies which can be used to meet foreign currency liabilities.

Bytes Software Services Limited

Report of the directors for the year ended 28 February 2011 (*continued*)

Directors

The directors of the company during the year were as listed below

K A Richardson
N R Murphy
P D Redshaw (Chairman)
P R Riskowitz (resigned 29 March 2010)
D N Maw (resigned 29 March 2010)
D Spence
A J Nicholson (appointed 29 March 2010)

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Bytes Software Services Limited

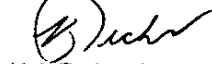
Report of the directors for the year ended 28 February 2011 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO 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 A Richardson

Director

Date *5 JULY 2011*

Bytes Software Services Limited

Independent auditor's report

TO THE MEMBERS OF BYTES SOFTWARE SERVICES LIMITED

We have audited the financial statements of Bytes Software Services Limited for the year ended 28 February 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 February 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Bytes Software Services Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



John Everingham (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Epsom
United Kingdom

Date 8 July 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Bytes Software Services Limited

Profit and loss account for the year ended 28 February 2011

	Note	2011 £	2010 £
Turnover	2	148,372,682	128,943,280
Cost of sales		133,676,552	116,220,315
Gross profit		14,696,130	12,722,965
Administrative expenses		10,632,967	9,128,450
Operating profit	3	4,063,163	3,594,515
Other interest receivable and similar income	6	166,660	171,544
Interest payable and similar charges	7	(7,140)	(5,352)
Profit on ordinary activities before taxation		4,222,683	3,760,707
Taxation on profit on ordinary activities	8	1,204,516	877,658
Profit on ordinary activities after taxation		3,018,167	2,883,049

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

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

Bytes Software Services Limited

Balance sheet at 28 February 2011

<i>Company number 01616977</i>	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	9		379,214		376,361
Fixed asset investments	10		106		106
			<u>379,320</u>		<u>376,467</u>
Current assets					
Debtors	11	25,837,436		23,811,911	
Cash at bank and in hand		12,791,788		2,870,191	
		<u>38,629,224</u>		<u>26,682,102</u>	
Creditors: amounts falling due within one year	12	21,316,048		12,360,596	
		<u>21,316,048</u>		<u>12,360,596</u>	
Net current assets			17,313,176		14,321,506
Total assets less current liabilities			<u>17,692,496</u>		<u>14,697,973</u>
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		17,106,659		14,112,136
			<u>17,692,496</u>		<u>14,697,973</u>
Shareholders' funds	16		17,692,496		14,697,973

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

5 JULY 2011



N R Murphy
Director



K Richardson
Director

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

Bytes Software Services Limited

Notes forming part of the financial statements for the year ended 28 February 2011

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 financial statements contain information about Bytes Software Services Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in non-EEA group accounts of a larger group. See note 18

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 Allied Electronics Corporation Limited, a company incorporated in the Republic of South Africa, and the company is included in consolidated financial statements

Turnover

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

Where the company has made a commitment to deliver services in the future the company defers part of the revenue from the fees received. Since it is generally expected that the company will deliver these services within the next accounting period this is included in the balance sheet under Current Liabilities in Accruals and Deferred Income. This revenue is then recognised as the services are delivered

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for investment properties and freehold land, evenly over their expected useful lives. It is calculated at the following rates

Short leasehold land and buildings	- Period of lease
Office furniture and equipment	- 20% straight line
Computer hardware and software	- 33% straight line

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 date. 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

Bytes Software Services Limited

Notes forming part of the financial statements
for the year ended 28 February 2011 (*continued*)

1 Accounting policies (*continued*)

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 balances are not discounted.

Operating leases

Annual rentals under operating leases are charged to the profit and loss accounts on a straight-line basis over the term of the lease.

Pension costs

The company made payments to certain employees' individual pension plans 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.

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 or investees of the group headed by Allied Electronics Corporation Limited, a company incorporated in the Republic of South Africa, on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

Bytes Software Services Limited

Notes forming part of the financial statements
for the year ended 28 February 2011 (*continued*)

2 Turnover

	2011 £	2010 £
Analysis by geographical market		
United Kingdom	144,635,395	121,951,726
Europe	513,138	935,863
Rest of the world	3,224,149	6,055,691
	<u>148,372,682</u>	<u>128,943,280</u>

Turnover is wholly attributable to the principal activity of the company

3 Operating profit

	2011 £	2010 £
This is arrived at after charging		
Depreciation of tangible fixed assets	191,475	259,769
Hire of plant and machinery - operating leases	196,761	179,242
Auditors' remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts	37,282	33,833
- other taxation services	3,500	3,500
Loss on disposal	203	1,928
	<u>399,921</u>	<u>478,272</u>

4 Employees

Staff costs (including directors) consist of

	2011 £	2010 £
Wages and salaries	7,650,383	6,977,346
Social security costs	879,673	799,719
Other pension costs	11,323	14,492
	<u>8,541,379</u>	<u>7,791,557</u>

Bytes Software Services Limited

Notes forming part of the financial statements
for the year ended 28 February 2011 (*continued*)

4 Employees (*continued*)

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

	2011 Number	2010 Number
Administration	34	34
Sales	52	59
Technical	53	45
	<u>139</u>	<u>138</u>

5 Directors' remuneration

	2011 £	2010 £
Directors' emoluments	832,157	714,291
Company contributions to money purchase pension schemes	5,582	5,582
	<u>837,739</u>	<u>719,873</u>

The total amount payable to the highest paid director in respect of emoluments was £349,522 (2010 - £291,856)

6 Other interest receivable and similar income

	2011 £	2010 £
Bank deposits	63,186	93,789
Other Interest	103,474	77,755
	<u>166,660</u>	<u>171,544</u>

7 Interest payable and similar charges

	2011 £	2010 £
Bank loans and overdrafts	7,140	5,352
	<u>7,140</u>	<u>5,352</u>

Bytes Software Services Limited

Notes forming part of the financial statements
for the year ended 28 February 2011 (*continued*)

8 Taxation on profit on ordinary activities

	2011 £	2010 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	1,200,419	893,132
<i>Deferred tax</i>		
Origination and reversal of timing differences	4,097	(15,474)
	<u>1,204,516</u>	<u>877,658</u>
Taxation on profit on ordinary activities		

The tax assessed for the year is higher than/lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	4,222,683	3,760,707
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2010 - 28%)	1,182,351	1,052,998
Effect of		
Expenses not deductible for tax purposes	34,699	37,804
Capital allowances for period in (excess)/deficit of depreciation	(4,097)	15,474
Other timing differences	-	1,550
Group relief received	(11,992)	(214,694)
Double taxation relief	(542)	-
	<u>1,200,419</u>	<u>893,132</u>
Current tax charge for the year		

Bytes Software Services Limited

Notes forming part of the financial statements
for the year ended 28 February 2011 (*continued*)

9 Tangible fixed assets

	Short leasehold land and buildings £	Computer equipment £	Office furniture and equipment £	Total £
<i>Cost</i>				
At 1 March 2010	417,828	1,066,700	264,613	1,749,141
Additions	9,555	173,144	11,832	194,531
Disposals	-	(2,456)	-	(2,456)
	<u>427,383</u>	<u>1,237,388</u>	<u>276,445</u>	<u>1,941,216</u>
At 28 February 2011				
<i>Depreciation</i>				
At 1 March 2010	261,993	871,511	239,276	1,372,780
Provided for the year	26,418	155,441	9,616	191,475
Disposals	-	(2,253)	-	(2,253)
	<u>288,411</u>	<u>1,024,699</u>	<u>248,892</u>	<u>1,562,002</u>
At 28 February 2011				
<i>Net book value</i>				
At 28 February 2011	<u>138,972</u>	<u>212,689</u>	<u>27,553</u>	<u>379,214</u>
At 28 February 2010	<u>155,835</u>	<u>195,189</u>	<u>25,337</u>	<u>376,361</u>

10 Fixed asset investments

	Group undertakings £
<i>Cost or valuation</i>	
At 1 March 2010 and 28 February 2011	<u>106</u>

Bytes Software Services Limited

Notes forming part of the financial statements
for the year ended 28 February 2011 (continued)

10 Fixed asset investments (continued)

Subsidiary undertakings

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

	Class of share capital held	Proportion of share capital held	Nature of business
Pure Licensing Limited	Ordinary	100%	Dormant
Ec-Co UK Limited	Ordinary	100%	Dormant
Bytes Technology Training Limited	Ordinary	100%	Dormant
Bytes Technology Solutions Limited	Ordinary	100%	Dormant
Pure Training Limited	Ordinary	100%	Dormant

11 Debtors

	2011 £	2010 £
Trade debtors	11,013,214	7,397,331
Amounts owed by group undertakings	14,606,651	16,040,731
Other debtors	95,542	113,726
Prepayments and accrued income	77,139	210,169
Deferred taxation	44,890	49,954
	25,837,436	23,811,911

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

	Deferred taxation £
At 1 March 2010	49,954
Utilised in year	(5,064)
	44,890
At 28 February 2011	44,890

Deferred taxation

	2011 £	2010 £
The amount of deferred tax provided for is as follows		
Accelerated capital allowances	44,890	49,954

Bytes Software Services Limited

Notes forming part of the financial statements
for the year ended 28 February 2011 (*continued*)

12 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	8,562,587	4,971,401
Corporation tax	706,569	369,982
Other taxation and social security	4,626,660	693,354
Accruals and deferred income	7,420,232	6,325,859
	<u>21,316,048</u>	<u>12,360,596</u>

13 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £11,323 (2010 - £14,492). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

14 Share capital

	2011 £	2010 £
<i>Allotted, called up and fully paid</i>		
2,992,126 shares of £0.01 each	<u>29,921</u>	<u>29,921</u>

Bytes Software Services Limited

Notes forming part of the financial statements
for the year ended 28 February 2011 (*continued*)

15 Reserves

	Share premium account £	Profit and loss account £
At 1 March 2010	555,916	14,112,136
Profit for the year	-	3,018,167
Share-based payment	-	(23,644)
At 28 February 2011	555,916	17,106,659

16 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the year	3,018,167	2,883,049
Share-based payment	(23,644)	(4,354)
Net additions to shareholders' funds	2,994,523	2,878,695
Opening shareholders' funds	14,697,973	11,819,278
Closing shareholders' funds	17,692,496	14,697,973

17 Commitments under operating leases

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

	Land and buildings 2011 £	Land and buildings 2010 £
Operating leases which expire		
Within one year	3,820	9,820
In two to five years	124,000	-
After five years	-	66,000
	127,820	75,820

Bytes Software Services Limited

**Notes forming part of the financial statements
for the year ended 28 February 2011 (*continued*)**

18 Ultimate parent company and parent undertaking of larger group

The company's immediate parent company is Bytes Technology Group Limited, a company incorporated in the United Kingdom

The ultimate parent company and the largest group in which the results of the company are consolidated is that headed by Allied Electronics Corporation Limited, a company incorporated in the Republic of South Africa. The consolidated accounts are available to the public and may be obtained from 4 Sherborne Road, Parktown, South Africa

Bytes Software Services Limited

The page which follows does not
form part of the statutory
financial statements of the company