

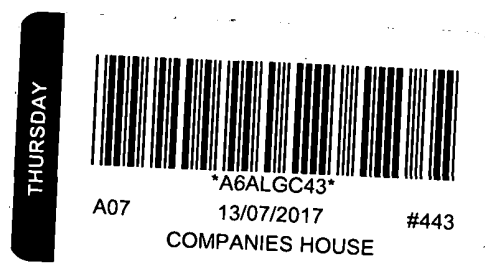
Bytes Software Services Limited

Report and Financial Statements

Year Ended

28 February 2017

Company Number 01616977



Bytes Software Services Limited

Company Information

Directors	K A Richardson N R Murphy R E Venter (Chairman) A J Nicholson
Company secretary	T Sexton
Registered number	01616977
Registered office	Bytes House Randalls Way Leatherhead Surrey KT22 7TW
Independent auditors	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

Bytes Software Services Limited

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Bytes Software Services Limited

Strategic Report For the Year Ended 28 February 2017

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 28 February 2017.

Business review

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 management are pleased to report a turnover figure of £215.8m which is an increase of £41.9m (24.1%) on the previous year. The majority of this growth was from software licensing sales. The company also continues to be one of the UK's largest Microsoft Licensing Solutions Providers. Service revenues were £7.6m in the year and we expect this to continue to grow.

Headline gross margin has increased by 16.6% in the current year. This increase has been driven by the high volume, low margin public sector sales generated by the CCSF accreditation. Operating profit has increased, up 13% on the previous year. The increase in operating profitability represents continued increased efficiencies and the ongoing investment in and development of the sales force.

In the year ahead the company will continue to focus on its core competencies of software licensing, software asset management services, Cloud platform, backup and business continuity managed services. This focus will be underpinned by the ongoing industry shift towards software as a cloud based service. The company continues to invest heavily in the development of the sales function as a foundation for growth. Although there are challenges ahead, with the changing fee structures from key vendors, we are optimistic about the year ahead.

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. The company will continue to develop this relationship as well as seek additional opportunities with other suppliers in order to mitigate the risk and exposure going forward.

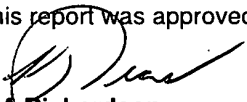
Financial key performance indicators

The directors regard turnover, profit and gross margin as the key performance indicators of the company. Details of these are given in the performance of the business discussion above and the directors are satisfied with the performance of the business against these indicators.

Other key performance indicators

The company had a year on year net increase in cash of £5.6m. This increase has been driven by the cash generated from operations as well as the current year dividend of £3.5m having been declared but not paid. Overall the company has managed its credit risk effectively and continues to collect monies in line with the agreed credit terms. The average debtor's days over the year were 21 (2016 - 31).

This report was approved by the board on 4TH JULY 2017 and signed on its behalf.


K A Richardson
Director

Bytes Software Services Limited

Directors' Report For the Year Ended 28 February 2017

The directors present their report together with the audited financial statements for the year ended 28 February 2017.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on page 1 of these financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £5,356,315 (2016 - profit £4,723,217).

Interim dividends of £1.17 (2016 - £1.972) per share were declared but not paid to ordinary shareholders during the year. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

K A Richardson
N R Murphy
R E Venter (Chairman)
A J Nicholson

Future developments

The company intends to continue to focus on its core service offering and using its expertise and customer service to continue to increase its market share.

Financial Instruments

The directors monitor the liquidity and cash flow risk of the company carefully. Cash flow is monitored by the directors on a regular basis and any working capital requirement is funded by cash resources.

Acquisitions may be financed initially using long term loans. Long term loans are raised principally through credit facilities from a range of banks and financial institutions. The company maintains internal guidelines for interest cover and gearing. Management monitor the company's current and projected financial position against these guidelines.

The main financial risks arising from the company's activities are credit, liquidity and currency 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 accounts to ensure that the company has sufficient funds for its operations. 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 currency 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 or take out forward currency contracts to cover the exposure.

Bytes Software Services Limited

Directors' Report (continued) For the Year Ended 28 February 2017

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 4 TH JULY 2017 and signed on its behalf.



K A Richardson
Director

Bytes Software Services Limited

Directors' Responsibilities Statement For the Year Ended 28 February 2017

The directors are responsible for preparing the strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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

Independent Auditors' 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 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 statement in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2017 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Bytes Software Services Limited

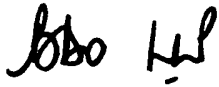
Independent Auditors' Report to the Members of Bytes Software Services Limited

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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
Gatwick
United Kingdom

10 July 2017

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

Bytes Software Services Limited

Statement of Comprehensive Income For the Year Ended 28 February 2017

	Note	2017 £	2016 £
Turnover	4	215,825,522	173,947,897
Cost of sales		187,097,300	149,301,087
Gross profit		28,728,222	24,646,810
Administrative expenses		(21,909,998)	(18,612,974)
Operating profit	5	6,818,224	6,033,836
Interest receivable and similar income	8	26,477	15,453
Interest payable and similar charges	9	(149)	(4,729)
Profit before tax		6,844,552	6,044,560
Tax on profit	10	(1,488,237)	(1,321,343)
Profit for the year		5,356,315	4,723,217
Share-based payment		123,605	123,375
Other comprehensive income for the year		123,605	123,375
Total comprehensive income for the year		5,479,920	4,846,592

The notes on pages 11 to 27 form part of these financial statements.

Bytes Software Services Limited

Registered number:01616977

Statement of Financial Position As at 28 February 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	11		5,170,091		5,432,950
Investments	12		106		106
			<u>5,170,197</u>		<u>5,433,056</u>
Current assets					
Debtors: amounts falling due within one year	13	26,929,202		24,404,676	
Cash at bank and in hand		21,768,184		16,200,842	
		<u>48,697,386</u>		<u>40,605,518</u>	
Creditors: amounts falling due within one year	14	(37,440,102)		(31,609,569)	
Net current assets			<u>11,257,284</u>		<u>8,995,949</u>
Total assets less current liabilities			<u>16,427,481</u>		<u>14,429,005</u>
Provisions for liabilities					
Deferred tax	15	(135,205)		(116,649)	
			<u>(135,205)</u>		<u>(116,649)</u>
Net assets			<u><u>16,292,276</u></u>		<u><u>14,312,356</u></u>
Capital and reserves					
Called up share capital	16		29,921		29,921
Share premium account	18		555,916		555,916
Profit and loss account	18		15,706,439		13,726,519
			<u>16,292,276</u>		<u>14,312,356</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on


K A Richardson
Director


N R Murphy
Director

4th July 2017

The notes on pages 11 to 27 form part of these financial statements.

Bytes Software Services Limited

Statement of Changes in Equity For the Year Ended 28 February 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 March 2016	29,921	555,916	13,726,519	14,312,356
Comprehensive income for the year				
Profit for the year	-	-	5,356,315	5,356,315
Share-based payment reserve	-	-	123,605	123,605
Other comprehensive income for the year	-	-	123,605	123,605
Total comprehensive income for the year	-	-	5,479,920	5,479,920
Dividends: Equity capital	-	-	(3,500,000)	(3,500,000)
Total transactions with owners	-	-	(3,500,000)	(3,500,000)
At 28 February 2017	29,921	555,916	15,706,439	16,292,276

Bytes Software Services Limited

Statement of Changes in Equity For the Year Ended 29 February 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 March 2015	29,921	555,916	14,779,927	15,365,764
Comprehensive income for the year				
Profit for the year	-	-	4,723,217	4,723,217
Share-based payment reserve	-	-	123,375	123,375
Other comprehensive income for the year	-	-	123,375	123,375
Total comprehensive income for the year	-	-	4,846,592	4,846,592
Dividends: Equity capital	-	-	(5,900,000)	(5,900,000)
Total transactions with owners	-	-	(5,900,000)	(5,900,000)
At 29 February 2016	29,921	555,916	13,726,519	14,312,356

The notes on pages 11 to 27 form part of these financial statements.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

1. General information

Bytes Software Services Limited is a company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the company information page. The nature of the company's operations and its principal activities are outlined in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Allied Electronics Corporation Limited as at 28 February 2017 and these financial statements may be obtained from 4 Sherborne Road, Parktown, South Africa.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 2% per annum
Office furniture, fit out costs and equipment	- 20% straight line
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

2. Accounting policies (continued)

2.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

2. Accounting policies (continued)

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.11 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 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. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

2. Accounting policies (continued)

2.13 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.14 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

2. Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

Recoverable value of recognised receivables

The recoverability of trade receivables is regularly reviewed in the light of the available economic information specific to each receivable and specific provisions are recognised for balances considered to be recoverable.

Taxation

The company provides for future liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures.

Deferred tax liabilities are generally provided for in full and deferred tax assets are recognised to the extent that it is judged probable that future taxable profit will arise against which the temporary differences will be utilised.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

4. Turnover

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

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Licensing and related services	208,731,071	168,746,261
Software asset management	5,716,752	3,745,104
Training	1,374,040	1,450,901
Carriage Inwards	3,659	5,631
	<u>215,825,522</u>	<u>173,947,897</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	197,743,695	151,835,678
Rest of Europe	15,283,374	20,079,501
Rest of the world	2,798,453	2,032,718
	<u>215,825,522</u>	<u>173,947,897</u>

5. Operating profit

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	383,095	392,399
Impairment of tangible fixed assets	-	173,000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	51,875	43,145
Fees payable to the Company's auditor for taxation services	10,155	24,988
Exchange differences	105,574	(115,975)
Share based payment	166,275	99,600
Defined contribution pension cost	260,298	235,971
Loss on disposal of tangible fixed assets	1,768	17,844
Hire of other assets - operating leases	147,200	105,850
	<u>1,412,430</u>	<u>1,105,692</u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	16,253,637	13,930,175
Social security costs	1,969,280	1,659,219
Cost of defined contribution scheme	260,298	235,971
	<u>18,483,215</u>	<u>15,825,365</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Administration	41	37
Sales	99	89
Technical	106	95
	<u>246</u>	<u>221</u>

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	957,972	899,922
Company contributions to defined contribution pension schemes	32,246	22,687
	<u>990,218</u>	<u>922,609</u>

During the year retirement benefits were accruing to 3 directors (2016 -3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £393,998 (2016 - £380,461).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £26,000 (2016 - £6,775).

8. Interest receivable

	2017 £	2016 £
Bank deposit interest	<u>26,477</u>	<u>15,453</u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

9. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	149	4,729

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	1,468,153	1,290,035
Adjustments in respect of previous periods	1,528	(33,884)
Total current tax	1,469,681	1,256,151
Deferred tax		
Origination and reversal of timing differences	18,556	75,830
Effect of tax rate change on opening balance	-	(10,638)
Total deferred tax	18,556	65,192
Taxation on profit on ordinary activities	1,488,237	1,321,343

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>6,844,552</u>	<u>6,044,560</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 -20%)	1,368,605	1,214,032
Effects of:		
Expenses not deductible for tax purposes	153,368	106,492
Adjustments to tax charge in respect of prior periods	1,528	(33,884)
Other timing differences	(19,904)	48,505
Differences in the tax charge	(10,594)	(13,802)
Group relief claimed	(4,766)	-
Total tax charge for the year	<u><u>1,488,237</u></u>	<u><u>1,321,343</u></u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

11. Tangible fixed assets

	Freehold land and buildings £	Office furniture, office fit out costs and equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 March 2016	4,642,660	1,168,217	1,162,712	6,973,589
Additions	-	28,115	93,889	122,004
Disposals	-	(22,639)	(33,194)	(55,833)
At 28 February 2017	<u>4,642,660</u>	<u>1,173,693</u>	<u>1,223,407</u>	<u>7,039,760</u>
Depreciation				
At 1 March 2016	314,301	310,545	915,793	1,540,639
Charge for the year	60,968	158,811	163,316	383,095
Disposals	-	(21,647)	(32,418)	(54,065)
At 28 February 2017	<u>375,269</u>	<u>447,709</u>	<u>1,046,691</u>	<u>1,869,669</u>
Net book value				
At 28 February 2017	<u>4,267,391</u>	<u>725,984</u>	<u>176,716</u>	<u>5,170,091</u>
At 29 February 2016	<u>4,328,359</u>	<u>857,672</u>	<u>246,919</u>	<u>5,432,950</u>

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 March 2016 and 28 February 2017	<u>106</u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of share capital held	Proportion of share capital held	Nature of Business
Ec - Co UK Limited	Ordinary	100 %	Dormant
Bytes Technology Group Holdings Limited	Ordinary	100 %	Dormant
Odigo Limited	Ordinary	100 %	Dormant
Bytes Technology Training Limited	Ordinary	100 %	Dormant
Elastabytes Limited	Ordinary	50 %	IT Services

13. Debtors

	2017 £	2016 £
Trade debtors	12,125,408	9,803,644
Amounts owed by group undertakings	13,591,999	13,590,704
Other debtors	1,004,860	811,300
Prepayments and accrued income	206,935	199,028
	26,929,202	24,404,676

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

14. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	12,601,582	12,436,039
Amounts owed to group undertakings	3,562,049	60,500
Corporation tax	851,593	721,956
Taxation and social security	4,846,420	3,810,592
Other creditors	51,801	850,737
Accruals and deferred income	15,526,657	13,729,745
	<u>37,440,102</u>	<u>31,609,569</u>

15. Deferred taxation

	2017 £
At beginning of year	(116,649)
Utilised in year	(18,556)
At end of year	<u>(135,205)</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	146,051	127,439
Short term timing differences	(5,108)	(4,370)
Share scheme recharges	(5,738)	(6,420)
	<u>135,205</u>	<u>116,649</u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

16. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
2,992,126 ordinary shares shares of £0.01 each	<u>29,921</u>	<u>29,921</u>

17. Dividends

	2017 £	2016 £
Interim declared of £1.17 (2016 - £1.972) per share	<u>3,500,000</u>	<u>5,900,000</u>

The proposed dividend has been accrued for as the dividend was approved by the shareholders within the financial year.

18. Reserves

The company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends recognised and other adjustments.

Share premium account

The share premium account represents the funds that the company has raised above the shares nominal value in exchange for issuing and ownership interest in the company.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

19. Share based payments

Allied Electronics Corporation Limited operate a cash settled share based payment incentive scheme. This cash settle share based payment incentive scheme is available to particular executive directors of the company with the payments depending on the share performance of Allied Electronics Corporation Limited. The amount recognised as a charge in the current year was £45,952 (2016 - £99,600). The scheme remains in operation, however all future charges are expected to remain immaterial in nature.

In the current year Bytes Technology Group Limited initiated an equity settled share based payment incentive scheme. This equity settled share based payment incentive scheme is available to particular executive directors of the company. The settlement will depend on the performance of the actual sub-group headed by Bytes Technology Group Limited over a period of 5 years. The amount recognised as a charge in the current year was £120,323 (2016 - £Nil). Future charges are expected to be similar in size as the full value is recognised over the 5 year vesting period.

20. Pension commitments

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 for the year amounts to £260,298 (2016 - £235,971). There were no outstanding or repaid contributions at either the beginning or end of the financial year.

21. Commitments under operating leases

At 28 February 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	28 February 2017 £	29 February 2016 £
Not later than 1 year	<u>12,309</u>	<u>4,448</u>

22. Related party transactions

In accordance with Section 33.1A of FRS 102 the company has taken advantage of the exemption available to 100% subsidiaries not to disclose transactions and balances within the group, as the company is included in publicly available consolidated accounts.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2017

23. Controlling party

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.