

Bytes Software Services Limited

Annual Report and Financial Statements

Year Ended

28 February 2018

Company Number 01616977



Bytes Software Services Limited

Company Information

Directors	K A Richardson N R Murphy R E Venter A J Nicholson
Company secretary	T E Sexton
Registered number	01616977
Registered office	Bytes House Randalls Way Leatherhead Surrey KT22 7TW
Independent auditor	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 2018

The directors present their strategic report together with the audited financial statements for the year ended 28 February 2018.

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 £277m (2017 - £215.8m) which is an increase of £61.2m (28.4%) on the previous year. This growth came from cloud base licensing and infrastructure sales within both the Corporate and Public Sector sectors. The company also continues to be one of the UK's largest Microsoft Licensing Solutions Providers. Service revenues were £8.2m (2017 - £7.6m) in the year and we expect this to continue to grow.

Headline gross margin has increased by 18.7% (2017 - 16.6%) in the current year. The drop in the gross margin percentage from 13.3% to 12.3% is primarily down to the 22% Microsoft price increases in January the previous year. In the year 94% of gross profits came from existing customers. Operating profit has increased, up to 16% (2017 - 13%) on the previous years. The increase in operating profitability is driven by the growth in gross profit generated from both existing and new customers.

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.

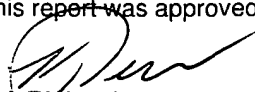
Financial key performance indicators

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 decrease in cash of £20.6m (2017 - increase £5.6m). This decrease has been driven by an increase in receivables, to fund the new group acquisition as well as the current year and prior year dividend of £5.3m (2017 - £3.5m) having been 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 (2017 - 21).

This report was approved by the board on 14 August 2018 and signed on its behalf.


K.A. Richardson
Director

Bytes Software Services Limited

Directors' Report For the Year Ended 28 February 2018

The directors present their report together with the audited financial statements for the year ended 28 February 2018.

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 £6,336,865 (2017 - £5,356,315).

Interim dividends of £1.77 (2017 - £1.17) per share were declared and 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
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 2018

Employment of disabled employees

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions of it.

The company's HR procedures make clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the company, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the company. Retraining of employees who become disabled whilst employed by the company is offered where appropriate.

Employee involvement

The company maintains an HR intranet site that providing employees with information on matters of concern to them as employees, including the financial and economic factors affecting the performance of the company. The intranet site includes functionality that enables employees to express views on matters that affect them anonymously and the company also undertakes staff surveys to canvas views on significant matters.

Disclosure of information to auditor

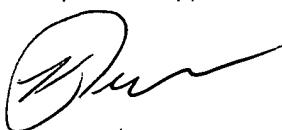
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

Post statement of financial position events

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

This report was approved by the board on 14 August 2018 and signed on its behalf.



K A Richardson
Director

Bytes Software Services Limited

Directors' Responsibilities Statement For the Year Ended 28 February 2018

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 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

Independent Auditor's report to the members of Bytes Software Services Limited

Opinion

We have audited the financial statements of Bytes Software Services Limited ("the company") for the year ended 28 February 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or;
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Bytes Software Services Limited

Independent Auditor's report to the members of Bytes Software Services Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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.

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 misstatement in the strategic report and directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Bytes Software Services Limited

Independent Auditor's report to the members of Bytes Software Services Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Russell Field (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

14 August 2018

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 2018

	Note	2018 £	2017 £
Turnover	4	277,037,852	215,825,522
Cost of sales		(242,942,308)	(187,097,300)
Gross profit		34,095,544	28,728,222
Administrative expenses		(26,180,548)	(21,909,998)
Operating profit	5	7,914,996	6,818,224
Interest receivable and similar income	8	18,600	26,477
Interest payable and similar charges	9	(582)	(149)
Profit before tax		7,933,014	6,844,552
Tax on profit	10	(1,596,149)	(1,488,237)
Profit for the financial year		6,336,865	5,356,315
Other comprehensive income for the year			
Share-based payment	20	141,648	123,605
Total comprehensive income for the year		6,478,513	5,479,920

The notes on pages 11 to 25 form part of these financial statements.

Bytes Software Services Limited

Registered number: 01616977

Statement of Financial Position As at 28 February 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	11		4,916,288		5,170,091
Investments	12		106		106
			<u>4,916,394</u>		<u>5,170,197</u>
Current assets					
Stocks	13	3,023,035		-	
Debtors	14	63,672,991		26,929,202	
Cash at bank and in hand		1,215,150		21,768,184	
		<u>67,911,176</u>		<u>48,697,386</u>	
Creditors: amounts falling due within one year	15	(55,195,396)		(37,440,102)	
Net current assets			<u>12,715,780</u>		<u>11,257,284</u>
Total assets less current liabilities			<u>17,632,174</u>		<u>16,427,481</u>
Provisions for liabilities					
Deferred tax	16		(161,385)		(135,205)
Net assets			<u>17,470,789</u>		<u>16,292,276</u>
Capital and reserves					
Called up share capital	17		29,921		29,921
Share premium account	19		555,916		555,916
Profit and loss account	19		16,884,952		15,706,439
Total equity			<u>17,470,789</u>		<u>16,292,276</u>

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



K A Richardson
Director

14 August 2018

The notes on pages 11 to 25 form part of these financial statements.

Bytes Software Services Limited

Statement of Changes in Equity For the Year Ended 28 February 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 March 2017	29,921	555,916	15,706,439	16,292,276
Comprehensive income for the year				
Profit for the year	-	-	6,336,865	6,336,865
Share-based payment reserve	-	-	141,648	141,648
Other comprehensive income for the year	-	-	141,648	141,648
Total comprehensive income for the year	-	-	6,478,513	6,478,513
Dividends: Equity capital	-	-	(5,300,000)	(5,300,000)
Total transactions with owners	-	-	(5,300,000)	(5,300,000)
At 28 February 2018	29,921	555,916	16,884,952	17,470,789

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

The notes on pages 11 to 25 form part of these financial statements.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

1. General information

Bytes Software Services Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out 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 judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

2.3 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 2018 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 2018

2. Accounting policies (continued)

2.4 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.

2.5 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 2018

2. Accounting policies (continued)

2.5 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.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 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.

2.9 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.

2.10 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.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

2. Accounting policies (continued)

2.10 Financial instruments (continued)

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.

2.11 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.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

2. Accounting policies (continued)

2.12 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'.

2.13 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.

2.14 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.

2.15 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

2. Accounting policies (continued)

2.16 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.

2.17 Interest income

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

2.18 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.

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

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:

- Taxation (see note 10)

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.

- Recoverable value of recognised receivables (see note 14)

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.

4. Turnover

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

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

	2018 £	2017 £
Licensing and related services	268,777,731	208,731,071
Software and asset management	6,632,599	5,716,752
Training	1,627,522	1,374,040
Carriage Inwards	-	3,659
	<u>277,037,852</u>	<u>215,825,522</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	258,357,178	197,743,695
Rest of Europe	16,097,240	15,283,374
Rest of the world	2,583,434	2,798,453
	<u>277,037,852</u>	<u>215,825,522</u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	349,364	383,095
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	62,590	59,875
Fees payable to the company's auditor for taxation services	10,600	10,155
Exchange differences	189,358	105,574
Share based payment	19,654	45,952
Defined contribution pension cost	314,198	260,298
Loss on disposal of tangible fixed assets	3,876	1,768
Hire of other assets - operating leases	250,877	147,200

6. Employees

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

	2018 £	2017 £
Wages and salaries	19,692,413	16,253,637
Social security costs	2,438,731	1,969,280
Cost of defined contribution scheme	315,547	260,298
	22,446,691	18,483,215

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

	2018 No.	2017 No.
Administration	46	41
Sales	106	99
Technical	114	106
	266	246

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	1,010,704	957,972
Company contributions to defined contribution pension schemes	25,070	32,246
	<u>1,035,774</u>	<u>990,218</u>

During the year retirement benefits were accruing to 4 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £411,881 (2017 - £393,998).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,346 (2017 - £26,000).

8. Interest receivable and similar income

	2018 £	2017 £
Bank deposit interest	<u>18,600</u>	<u>26,477</u>

9. Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	<u>582</u>	<u>149</u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	1,580,476	1,468,153
Adjustments in respect of previous periods	(10,507)	1,528
Total current tax	1,569,969	1,469,681
Deferred tax		
Origination and reversal of timing differences	20,442	18,556
Adjustments in respect of prior periods	5,738	-
Total deferred tax	26,180	18,556
Taxation on profit on ordinary activities	1,596,149	1,488,237

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.09% (2017 - 20.00%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	7,933,014	6,844,552
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.09% (2017 - 20.00%)	1,514,009	1,368,605
Effects of:		
Expenses not deductible for tax purposes	111,921	153,368
Adjustments to tax charge in respect of prior periods	(4,769)	1,528
Other timing differences	-	(19,904)
Differences in the tax charge	(2,507)	(10,594)
Group relief claimed	(22,505)	(4,766)
Total tax charge for the year	1,596,149	1,488,237

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

10. Taxation (continued)

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax asset at 28 February 2018 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

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 2017	4,642,660	1,173,693	1,223,407	7,039,760
Additions	-	7,936	91,500	99,436
Disposals	(27)	(2,496)	(170,150)	(172,673)
At 28 February 2018	<u>4,642,633</u>	<u>1,179,133</u>	<u>1,144,757</u>	<u>6,966,523</u>
Depreciation				
At 1 March 2017	375,269	447,709	1,046,691	1,869,669
Charge for the year	60,968	159,088	129,308	349,364
Disposals	-	(1,734)	(167,064)	(168,798)
At 28 February 2018	<u>436,237</u>	<u>605,063</u>	<u>1,008,935</u>	<u>2,050,235</u>
Net book value				
At 28 February 2018	<u>4,206,396</u>	<u>574,070</u>	<u>135,822</u>	<u>4,916,288</u>
At 28 February 2017	<u>4,267,391</u>	<u>725,984</u>	<u>176,716</u>	<u>5,170,091</u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 March 2017	106
Net book value	
At 28 February 2018	106

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

The registered office address of all of the above subsidiary undertakings is Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW.

13. Stocks

	2018 £	2017 £
Finished goods and goods for resale	3,023,035	-

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

14. Debtors

	2018 £	2017 £
Trade debtors	21,917,713	12,125,408
Amounts owed by group undertakings	38,894,035	13,591,999
Other debtors	1,387,521	1,004,860
Prepayments and accrued income	1,473,722	206,935
	<u>63,672,991</u>	<u>26,929,202</u>

The impairment loss recognised in the profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2017 - £Nil).

15. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	19,816,742	12,601,582
Amounts owed to group undertakings	8,821,629	3,562,049
Corporation tax	842,994	851,593
Other taxation and social security	2,263,576	4,846,420
Other creditors	61,464	51,801
Accruals and deferred income	23,388,991	15,526,657
	<u>55,195,396</u>	<u>37,440,102</u>

16. Deferred taxation

	2018 £
At beginning of year	135,205
Charge in the year in year	26,180
At end of year	<u><u>161,385</u></u>

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

16. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	162,660	146,051
Short term timing differences	(1,275)	(5,108)
Share scheme recharges	-	(5,738)
	<u>161,385</u>	<u>135,205</u>

17. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
2,992,126 ordinary shares of £0.01 each	<u>29,921</u>	<u>29,921</u>

18. Dividends

	2018 £	2017 £
Interim declared of £1.77 (2016 - £1.17) per share	<u>5,300,000</u>	<u>3,500,000</u>

19. Reserves

The company's capital and reserves are as follows:

Called up share capital

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

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

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

Bytes Software Services Limited

Notes to the Financial Statements For the Year Ended 28 February 2018

20. 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 £19,654 (2017 - £45,952). The scheme remains in operation, however all future charges are expected to remain immaterial in nature.

In the prior 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 (2017 - £120,323). Future charges are expected to be similar in size as the full value is recognised over the 5 year vesting period.

21. 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 £314,197 (2017 - £260,298). There were no outstanding or repaid contributions at either the beginning or end of the financial year.

22. Commitments under operating leases

At 28 February 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	<u>133,927</u>	<u>12,309</u>

23. 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.

24. 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.