

Operational review – Bytes Technology Group

The information technology sector has experienced stronger local spend due to current levels of company profitability, and a need to address its approach in terms of its technology service offering. This has resulted to some degree in improved demand for Bytes products and services, though it continues to be a highly competitive marketplace, especially in South Africa. David Redshaw, chief executive officer of Bytes Technology Group, remarked that while the group's South African IT businesses experienced margin pressure during the period under review, due in part to adverse exchange rate movements and strong competition, its international businesses showed excellent growth.

Bytes UK

Bytes UK recorded an outstanding performance in terms of revenue with its operating profit increasing by 63% for the year.

The Software Services business, which provides large volume software licensing contracts from vendors such as, among others, Microsoft, Citrix, Adobe, IBM and Symantec, signed over 500 new customer contracts during the year, the most notable of which was the £41 million contract to supply Microsoft software to the National Health Service (NHS). The NHS contract runs over three years which secures similar annual revenue over the medium term. Other notable contracts for the year included Tesco, Network Rail, Logica CMG and a renewal of the BBC contract. Bytes is now regarded as the leading Microsoft LAR (Large Account Reseller) in the UK, a position which further entrenches it as a key Microsoft partner.

The UK's Xerox business performed satisfactorily for its first full year of trading following the two acquisitions made in the prior year. Notwithstanding this, plans are in place to further improve the operating margin at these businesses in the year ahead. This has confirmed that the group's strategy of expanding its presence in the UK and moreover diversifying its operations within its sphere of competence is starting to bear fruit. Prospects for future growth at Bytes UK are based on both organic growth and further acquisitions. These are expected to occur not only in the Xerox

space but also in other areas complementary to the group's activities.

Bytes Document Solutions

Notwithstanding tough business conditions, **Bytes Document Solutions** (BDS) once again performed strongly. Both its Xerox businesses and its "non-Xerox" businesses have been restructured during the year under review and delivered better than expected results. Xerox Global Services, the direct equipment sales division, fuelled by large account roll-outs together with its long-standing customers such as Absa, Nedcor, Unisa and SITA, contributed to substantial growth in revenue. It is also noteworthy that BDS has secured three new significant customers, namely Mondi, SAA and SARS during the year and it is expected that this division will deliver significant contributions on the back of its increased customer base.

The Production Systems division contributed significantly, with a profit improvement of 44% based on good results from the Igen3 printing, continuous feed and light production black/white and colour divisions, while its direct and indirect sales, dealers and concessionaires also generated increased revenue. The volumes within the Office Supplies division improved and its new management team delivered record revenue growth. In order to improve the cost base of Laser Facilities and to diversify its product offering, the business of Mailing Facilities (a long-standing on-site supplier) as well as Papergeni, predominantly an envelope manufacturer, were acquired. This forms part of BDS's objective to grow its "non-Xerox" centric business, a strategy which is expected to assist overall growth in the future.

Bytes Managed Services

As a focused workspace management and IT equipment maintenance business, **Bytes Managed Services** (BMS) leverages off its 90 service points and 1 100 service focused staff throughout southern Africa, supporting over 600 000 OEM devices under warranty and over 350 000 devices on maintenance contracts.

Despite margin pressures and the challenge to deliver measurable value to customers and stakeholders, BMS recorded an exceptional



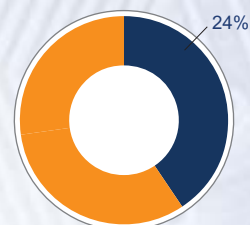
Neil Murphy, managing director,
Bytes UK.

Altron shareholding: 100%

Revenue	R5.2bn	↑27%
Operating profit	R365m	↑12%
Operating margin	8.0%	→7.0%
HEPS	R248m	↑23%
Cash	R176m	
ROE	30.4%	→30.7%

Bytes contribution to Altron

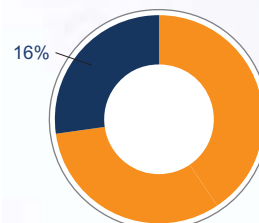
Revenue Feb 2008



Operating profit Feb 2008



Headline earnings Feb 2008





*Douglas Ramaphosa, managing director:
Bytes Specialised Solutions.*

“Bytes international businesses showed excellent growth.”

performance. It is BMS's strategy to increase its market share within its current support offering while at the same time expanding its business to include new and complementary services to both existing and new customers. The business is well positioned to take full advantage of the IT support environment and is expected to grow its market share by pursuing new industries and expanding its service offering.

Bytes Healthcare Solutions

The year under review has seen **Bytes Healthcare Solutions (BHS)** (formerly DHS) grow revenue by 11% over the prior year, despite a market in which medical scheme membership experienced limited growth. The acquisition of Mastermed, which included some 1 000 medical practice customers, has added to revenue and profit for the year, and its integration into the Med-e-Mass business was successfully completed. Medical claim volumes processed by Digital Healthcare Switch grew by about 8% over the previous period and averaged 5.8 million transactions per month.

The company's new switching platform, which includes a redesign of its core claims processing system, was commissioned and will allow the company to launch new services to its customer base and to medical schemes. The system's improved scalability and its change management features are expected to significantly improve flexibility in respect of responding to the often rapidly changing requirements of the healthcare industry. The company's objectives for the following year are centred around the pursuit of off-shore business opportunities, among others in the Middle East, the launch of new switching products and an expansion into financial transaction processing.

Bytes Systems Integration

In its third year as a cohesive division, **Bytes Systems Integration (BSI)** delivered satisfactory growth and continued to grow its market share. During the year under review, BSI, in association with MTN Networks, expanded BytesNet, a 2nd tier

Main picture

David Redshaw, Bytes chief executive officer and Peter Riskowitz, Bytes chief financial officer.



Operational review – Bytes Technology Group *continued*



Telco services provider of video, voice, data, security and hosting facilities, with many new corporate client subscribers. The Microsoft Dynamics (formerly Axapta) ERP practice established in the prior year, has also won significant new accounts and is progressively becoming recognised as a market leader. The Microsoft Licensing business continued to expand and deliver solid profits. As a market leader in South Africa for Business Objects (BO), BSI, also a major SAP partner and a supplier of business intelligence, stands to benefit substantially from SAP AG's acquisition of BO.

BSI experienced various challenges as a result of the increasing shortage of key skills in the workplace, particularly at the high-end of the software consulting market. This trend is expected to continue over the coming months. Focus will remain on curbing the knock-on costs of recruitment and the replacement of staff at increasing salaries, often against fixed-priced customer contracts.

Bytes Specialised Solutions

Bytes Specialised Solutions (BSS) is the exclusive distributor for NCR and Teradata solutions in South Africa and selected neighbouring countries. The company markets, services and supports various points of service and enterprise-wide information solutions. The difficult conditions experienced by BSS during the year under review were largely due to external factors which included large contracts being postponed or cancelled as well as operational constraints experienced by certain of its key customers.

Despite this difficult operating environment, the company successfully implemented the Teradata Customer Relationship Management Solution at Standard Bank, thereby making it the first bank in Africa to have implemented a sophisticated event-based marketing solution. BSS, in partnership with Nedbank, also successfully rolled out the Nedbank Self Service application software project.

Future prospects look promising with NCR's newly released ATM self-service platform strengthening the value proposition in BSS's Retail ATM division. New intelligent deposit, electronic shelf labelling and self-checkout solutions will be aggressively marketed during the period ahead.

Bytes Outsource Services

Bytes Outsource Services (BOS) recorded a solid performance and has successfully extended all its support agreements due for renewal during the year. New business growth from its existing client base bears testimony to professional service standards and sound relationships with clients. In keeping with its strategy, the Shared Services business unit has seen satisfying growth with the addition of a number of corporate clients as well as the Department of Public Enterprises as its first major client in the public sector. Partnerships with Telkom, Getronics and the Altron group companies, as well as general market conditions, continue to present exciting opportunities for further sustainable growth.

Bytes Communication Systems

Bytes Communication Systems (BCS), a supplier of state-of-the-art communication solutions and value-added services in the ICT sector, recorded a healthy operating profit improvement for the year under review. Benefiting from its renewed business strategy to deliver various value-added services, BCS secured a number of new clients in the mining, local government, hotel, retail and education sectors.

BCS was also awarded a contract by Anglo Platinum which is geared to yield further business with the extension of additional value-added services such as multi-media in the contact centre environment. In addition, its contract with Alcatel-Lucent as a premium business partner in South Africa was renewed. The business is also continuing to expand into the rest of Africa, delivering robust Alcatel-Lucent solutions throughout the continent. The year ahead will see the company broaden its range by adding further multi-media, voice and speech recognition solutions to its current basket of offerings.

Bytes People Solutions

Bytes People Solutions (BPS) is the group's internationally accredited education, training, skills development and people consulting arm. As an industry leader, BPS has built a credible track record over more than a decade by



*Hennie du Plessis, managing director:
Bytes Healthcare Solutions.*



*Deidre Le Hanie, managing director:
Bytes Managed Services.*



*Andrew Holden, managing director: Bytes
Outsource Services.*



George Isaacson, managing director: Bytes Communication Systems.



Rob Abraham, managing director: Bytes Document Solutions.



Rob Griggs, managing director: Bytes Systems Integration.



Dr Madelise Grobler, managing director: Bytes People Solutions.

providing innovative human capital resource solutions and services to a large number of blue-chip companies throughout southern Africa. Continued focus on sustainable growth and profitability yielded a satisfactory performance during the year, with solid margins and growth in both revenue and profit. Furthermore, the annuity revenue portion of its business grew to more than 75% of total revenue.



“Improved demand experienced for Bytes products and services.”