This document comprises a prospectus (the "**Prospectus**") for the purposes of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") relating to Bytes Technology Group plc (the "**Company**") prepared in accordance with the Prospectus Regulation Rules of the Financial Conduct Authority (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000 (the "**FSMA**") and a pre-listing statement prepared in accordance with the applicable JSE Listings Requirements. A copy of this Prospectus has been filed with, and approved by, the FCA and the JSE and has been made available to the public in accordance with the Prospectus Regulation Rules. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Company that is, or the quality of the securities that are, the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the ordinary shares in the capital of the Company (the **"Shares"**).

Application will be made to the FCA for all of the Shares, issued and to be issued in connection with the Offer to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange plc (the "**London Stock Exchange**") for all of the Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (the "**Main Market**") (together, "**Admission**"). Conditional dealings in the Shares are expected to commence on the Main Market at 8.00 a.m. on 11 December 2020. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence at 8.00 a.m. on 17 December 2020. Dealings on the Main Market before Admission will only be settled if Admission takes place. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Shares to be admitted to listing or dealt with on any other exchange other than the Main Board of the JSE. The New Shares issued by the Company will rank pari passu in all respects with the Existing Shares.**

Application will also be made for all the Shares to be admitted to listing and trading as a secondary inward listing on the Main Board of the JSE (the "**JSE Admission**"). The JSE has granted a secondary inward listing of the Shares in the Software and Computer Services sector of the JSE under the abbreviated name "Bytes", symbol "BYI" and ISIN GB00BMH18Q19 subject to the fulfilment of certain conditions (including, in accordance with paragraph 18.10(b) of the JSE Listings Requirements, the Company having made arrangements, to the satisfaction of the JSE's Clearing and Settlement division, to ensure that there is a sufficient number of shares entered into the South African branch register from the time of JSE Admission). FinSurv has approved the inward listing of the Company on the Main Board of the JSE, and classified the inward listed Shares as "domestic" for South African exchange control purposes. It is expected that JSE Admission will become effective, and that unconditional dealings in the Shares on the JSE will commence, at 10.00 a.m. (Johannesburg time) on 17 December 2020. The Shares will only be traded on the JSE as dematerialised shares and, accordingly, no documents of title will be issued to successful applicants who wish to apply for Shares.

The directors of the Company, whose names appear on page 33 of this Prospectus (the "**Directors**"), and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company, the information contained in this Prospectus is in accordance with the facts and the Prospectus contains no omission likely to affect the import of such information.

Prospective investors in Shares should read this Prospectus in its entirety and, in particular, the "Risk Factors" in Part 1 for a discussion of certain risks and other factors that should be considered prior to any investment in the Shares.

Bytes Technology Group plc

(a public limited company incorporated in England & Wales under the Companies Act 2006 with registered number 12935776)

Offer of New Shares
at an Offer Price expected to be between 240.0 pence and 290.0 pence per New Share
and admission to the premium listing segment of the Official List
and to trading on the Main Market of the London Stock Exchange

Sole Sponsor, Financial Adviser, Sole Global Co-Ordinator and Sole Bookrunner

Numis

EXPECTED ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION(1)

Issued and fully paid	
Number	**Nominal Value**
238,913,494	£0.01

(1) Assuming the Base Offer Size Assumptions (as defined on page ii and in Part 16 "Definitions") and that the Offer Price is set at the mid-point of the Price Range.

The Company intends to use the entire gross proceeds it receives from the Offer to (i) pay the Demerger Stamp Duty and IPO Expenses; and (ii) satisfy the cash amounts due to Altron and Altron Ordinary Shareholders in connection with the Demerger. No net proceeds will be retained by the Company. The number of New Shares to be issued by the Company pursuant to the Offer will be determined by reference to and is a function of, amongst other things, the Offer Price for the New Shares, the cash elections received from Altron Ordinary Shareholders in connection with the Demerger and demand from investors in the Offer. Further details of how the Offer Price is to be determined are set out in Part 14 "The Offer" .

The following table sets out the expected number of New Shares to be issued by the Company pursuant to the Offer, the expected gross proceeds of the Offer for the Company, the expected issued share capital of the Company on Admission and the number of New Shares to be issued as a percentage of the expected issued share capital of the Company on Admission, assuming the Offer Price is set at the mid-point of the Price Range, in circumstances where, in aggregate, (i) 25 per cent., (ii) 50 per cent., (iii) 75 per cent. or (iv) 100 per cent., of Convertible Notes held by Altron Ordinary Shareholders (other than Altron Finance) are redeemed for cash.

Redemption of Convertible Notes	New Shares	Gross proceeds	Issued share capital on Admission	New Shares as a percentage of issued share capital on Admission
25%	87,709,924	£232.4 million	238,168,420	36.8%
50%	135,322,019	£358.6 million	239,672,356	56.5%
75%	182,934,120	£484.8 million	241,176,292	75.9%
100%	230,546,214	£610.9 million	242,680,227	95.0%

The Company has received written indications from certain major Altron Ordinary Shareholders, comprising Coronation, Biltron and VCP that they intend to elect to redeem for cash a minimum of 25 per cent., 25 per cent. and 80 per cent., and a maximum of 25 per cent., 35 per cent., and 100 per cent., respectively, of their respective Convertible Notes arising from the Demerger in respect of their current shareholdings in Altron. Assuming that such elections are made and satisfied in their minimum amounts, the Default Ratio for Redemption and Conversion of the Convertible Notes held by the remaining Altron Ordinary Shareholders (other than Altron Finance) is 25 per cent. as to Redemption and 75 per cent. as to Conversion and no other Altron Shareholder elects to redeem greater than 25 per cent. of its Convertible Notes (the "**Base Offer Size Assumptions**") and the Offer Price is set at the mid-point of the Price Range, the expected minimum number of New Shares in the Offer is 111,297,716 and the gross proceeds of the Offer are expected to be £294.9 million, resulting in the number of New Shares in the Offer as a percentage of the Company's expected issued share capital at Admission being 46.6 per cent.

Assuming that such elections are made and satisfied in their maximum amounts, and the remaining Altron Ordinary Shareholders (other than Altron Finance) elect to redeem for cash 100 per cent. of their Convertible Notes and all such elections are satisfied (the "**Maximum Offer Size Assumptions**") and the Offer Price is set at the mid-point of the Price Range, the expected maximum number of New Shares in the Offer is 171,842,458 and the gross proceeds of the Offer are expected to be £455.4 million, resulting in the number of New Shares in the Offer as a percentage of the Company's expected issued share capital at Admission being 71.4 per cent.

If the demand from investors in the Offer is insufficient to meet a Default Ratio of 25 per cent. as to Redemption and 75 per cent. as to Conversion, then the Default Ratio will be adjusted accordingly, with an absolute minimum offering size of 59,064,035 New Shares assuming the Offer Price is set at the top of the Price Range.

The absolute maximum number of New Shares in the Offer is 230,756,765, assuming the Offer Price is set at the bottom of the Price Range and 100 per cent. of the Convertible Notes held by Altron Ordinary Shareholders are redeemed for cash.

It is currently expected that the Offer Price and New Share Offer Size will be set within the Price Range and the New Share Offer Size Range, respectively. However the Offer Price, and New Share Offer Size may be within, above or below the Price Range and the New Share Offer Size Range, respectively. A number of factors will be considered in determining the Offer Price, the New Share Offer Size, and the basis of allocation, including the level and nature of demand for the New Shares during the bookbuilding process, prevailing market conditions and the objective of establishing an orderly after-market in the Shares. Further details of how the Offer Price is to be determined are set out in Part 14 "The Offer". Unless required to do so by law or regulation, the Company does not envisage publishing a supplementary prospectus or an announcement triggering the right to withdraw applications for New Shares pursuant to Article 17 of the Prospectus Regulation on determination of the Offer Price or the New Share Offer Size. If the Offer Price is set within the Price Range, and the New Share Offer Size is set within the New Share Offer Size Range, a pricing statement containing the Offer Price, the number of New Shares comprised in the Offer and related disclosures (the **"Pricing Statement"**) is expected to be published on or about 11 December 2020 and will be available on the Bytes Group's website at www.bytesplc.com/investors/ipo-documents. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements of the FCA), then the Company will make an announcement via a Regulatory Information Service and prospective investors will have a statutory right to withdraw their application for New Shares pursuant to Article 17 of the Prospectus Regulation. In such circumstances, the Pricing Statement would not be published until the period for exercising such withdrawal rights has ended and the expected date of publication of the Pricing Statement would be extended. The arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the announcement.

The New Shares to be issued pursuant to the Offer will, following Admission, rank *pari passu* in all respects with each other and with the Existing Shares and will rank in full for all dividends and other distributions declared, made or paid on Shares after Admission.

The New Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States. The New Shares will be offered (i) in the United States only to qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the US Securities Act ("**Rule 144A**") pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, and (ii) outside of the United States in "offshore transactions" as defined in, and in reliance on, Regulation S under the US Securities Act ("**Regulation S**"). Prospective investors are hereby notified that the sellers of the Shares may be relying on the exemption from the provisions of section 5 of the US Securities Act provided by Rule 144A. No actions have been taken to allow a public offering of the New Shares under the applicable securities laws of any jurisdiction, including Australia, Canada or Japan. Subject to certain exceptions, the New Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including Australia, Canada or Japan. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any of the New Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Neither the US Securities and Exchange Commission, nor any securities regulatory authority of any state of the United States, has approved or disapproved of the New Shares or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

In South Africa, the Offer will only be made by way of private placement to South African Qualifying Investors, being (a) selected persons falling within one of the specified categories listed in section 96(1)(a) of the South African Companies Act, and (b) selected persons, acting as principal, subscribing for New Shares for a total acquisition cost of not less than ZAR1,000,000.00, as contemplated in section 96(1)(b) of the South African Companies Act, and, in each case, to whom the Offer will specifically be addressed, and only by whom the Offer will be capable of acceptance. The information contained herein in respect of each class of South African Qualifying Investors is combined in this Prospectus for the sake of convenience only. Accordingly (a) the information contained in this Prospectus does not constitute, nor form part of, any offer or invitation to sell or issue, an advertisement or any solicitation of any offer or invitation to purchase or subscribe for any New Shares or any other securities and is not an offer to the public as contemplated in the South African Companies Act, (b) this Prospectus does not, nor does it intend to, constitute a "registered prospectus" or an "advertisement", as contemplated by the South African Companies Act, and (c) no prospectus has been filed with the Companies and Intellectual Property Commission (the "**CIPC**") in respect of the Offer. Accordingly, should any person in South Africa who is not a South African Qualifying Investor receive this document, they should not and will not be entitled to acquire any New Shares or otherwise act thereon. As a result, this Prospectus does not comply with the substance and form requirements for a prospectus set out in the South African Companies Act, and has not been approved by, and/or registered with, the CIPC, or any other South African authority. FinSurv and the JSE have approved the Prospectus, as a pre-listing statement in terms of the JSE Listings Requirements.

The information contained in this Prospectus constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, 37 of 2002, as amended (the "**FAIS Act**") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Shares or in relation to the business or future investments of the Company is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Prospectus should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Company is not a financial services provider licensed as such under the FAIS Act.

In Canada, the Offer will only be made by way of private placement to persons: (a) in the provinces of Ontario, Québec, Alberta or British Columbia: (b) who are a "accredited investor" within the meaning of Section 1.1 of National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**") of the Canadian Securities Administrators or subsection 73.3(1) of the *Securities Act* (Ontario) (the "**OSA**"), as applicable, and either purchasing the New Shares as principal for its own account, or is deemed to be purchasing the New Shares as principal for its own account in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution; (c) not created or used solely to purchase or hold the New Shares as an accredited investor under NI 45-106; (d) who are a "permitted client" within the meaning of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("**NI 31-103**") of the Canadian Securities Administrators; and (e) entitled under applicable Canadian securities laws to purchase the New Shares without the benefit of a prospectus under such securities laws. Any offer and sale of the New Shares in Canada will be made on a private placement basis only and will be exempt from the requirement that the Company prepares and files a prospectus under applicable Canadian securities laws.

Numis Securities Limited ("**Numis**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no one else in connection with the Offer. Numis will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for the giving of advice in relation to the Offer or any transaction, matter, or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on Numis by FSMA or the regulatory regime established thereunder, neither Numis nor any of its affiliates, directors, personally liable partners, officers, employees, advisers or agents accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Offer, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future. Numis and each of its affiliates, directors, personally liable partners, officers, employees, advisers or agents, each accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this Prospectus or any such statement. No representation or warranty express or implied, is made by Numis or any of its affiliates, directors, personally liable partners, officers, employees, advisers or agents, as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus.

Important notice

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Other than in the United Kingdom and South Africa, no action has been taken or will be taken to permit the possession or distribution of this Prospectus in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. In the United States, you may not distribute this Prospectus may not be distributed nor may copies of it be made available without the Company's prior written consent other than to people who have been retained to advise prospective investors outside the United States in connection with this Prospectus, or to persons reasonably believed by the Company to be QIBs. Accordingly, neither this Prospectus nor any advertisement nor any offering material may be distributed or published in any jurisdiction, other than in the United Kingdom and South Africa, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Withdrawals

In the event that the Company is required to publish a supplementary prospectus, applicants who have applied to subscribe for New Shares in the Offer will have at least two business days commencing on the first business day after the date of the publication of the supplementary prospectus within which to withdraw their offer to subscribe for New Shares in the Offer.

In addition, in the event that (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements of the FCA), then applicants who have applied to subscribe for New Shares in the Offer would have a statutory right to withdraw their offer to subscribe for New Shares in the Offer in its entirety pursuant to Article 17 of the Prospectus Regulation before the end of a period of two business days commencing on the first business day after the date on which an announcement of this is published via a Regulatory Information Service announcement (or such later date as may be specified in that announcement).

If the application is not withdrawn within the stipulated period, any offer to apply for New Shares in the Offer will remain valid and binding. Details of how to withdraw an application will be made available if a supplementary prospectus or a relevant announcement is published.

Information to Distributors

Solely for the purposes of the product governance requirements contained within (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"), (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II, and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that such Shares are (i) compatible with an end target market of retail equity investors and equity investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, "distributors" (for purposes of the MiFID II Product Governance Requirements) should note that: the price of Shares may decline and equity investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in Shares is compatible only with equity investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Numis will only procure equity investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any equity investor or group of equity investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

Information not contained in this Prospectus

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, or Numis. Neither the delivery of this Prospectus nor any subscription made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

Available information for investors in the United States

For so long as any of the Shares are in issue and are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

CONTENTS

SUMMARY

Section A - Introduction and warnings

A.1 - Name, Identity, Contact Details and Date of Approval

The name of the Company is Bytes Technology Group plc and the ISIN of the Shares is GB00BMH18Q19.

The Company's registered office is Bytes House, Randalls Way, Leatherhead, KT22 7TW (tel: +44 (0) 1372 418 500).

The Company's Legal Entity Identifier (**"LEI"**) is 213800LA4DZLFBAC9O33. The Financial Conduct Authority, as competent authority in the United Kingdom, of 12 Endeavour Square, London E20 1JN approved this Prospectus on 1 December 2020 and the JSE, as competent authority in South Africa, of One Exchange Square, Gwen Lane, Sandown, Sandton, 2196, Republic of South Africa, approved this Prospectus on 1 December 2020.

A.2 - Warning

This summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to this Prospectus. Any decision to invest in the New Shares should be based on consideration of this Prospectus as a whole by the investor. Any investor could lose all or part of their invested capital.

Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national law of the relevant state, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.

Section B - Key information on the Issuer

Section B.1 - Who is the issuer of the securities?

B.1.1 - Domicile, legal form, applicable legislation and country of incorporation

The Company was incorporated on 7 October 2020 as a public company limited by shares in England and Wales under the laws of England and Wales, with its registered office situated in England and Wales. The Company operates under the Companies Act 2006 and in conformity with its articles of association. The Company is not registered as an external company in terms of the South African Companies Act.

B.1.2 - Principal activities

The Bytes Group is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud and security products. The Bytes Group enables effective and cost-efficient technology sourcing, adoption and management across software, security and cloud services. It aims to deliver the latest technology to a diverse and embedded customer base and has a long track record of delivering strong financial performance.

B.1.3 - Major shareholders

Insofar as is known to the Company as at the date of this Prospectus, as a result of the Demerger, the following persons will, on Admission, be, directly or indirectly, interested (within the meaning of the Act) in three per cent. or more of the Company's issued share capital:

Name of Shareholder	Percentage of Company's Shares[1]
Coronation	16.2%
Biltron	8.8%
VCP	3.5%

(1) The percentage of the Company's Shares is stated assuming (i) that the Demerger has been completed in full; (ii) that the Offer Price is set at the mid-point of the Price Range; (iii) the Base Offer Size Assumptions; and (iv) the current holdings of shares in Altron remains unchanged until the record date for implementation of the Demerger.

B.1.5 - Key executive directors

The Executive Directors of the Company are: Neil Murphy (Chief Executive Officer) and Keith Richardson (Chief Financial Officer).

B.1.6 - Statutory auditors

The statutory auditor of the Company is Ernst & Young LLP of 1 More London Place, London SE1 2AF, United Kingdom.

Section B.2 - What is the key financial information regarding the issuer?

Selected historical key financial information

The tables below set out the summary financial information of the Bytes Group for the three years ended 28 February 2018, 28 February 2019 and 29 February 2020 and for the six months ended 31 August 2019 and 31 August 2020. The information has been prepared in accordance with IFRS.

The selected financial information set out below has been extracted without material adjustment from the Bytes Group's consolidated historical financial information.

Consolidated statement of profit or loss

	Year ended			Six months ended	
	28 February 2018	**28 February 2019**	**29 February 2020**	**31 August 2019**	**31 August 2020**
			£'000		
				(*unaudited*)	
Revenue	321,892	349,658	373,103	205,045	221,222
Cost of sales	(278,347)	(286,045)	(293,886)	(165,111)	(174,843)

Gross profit	**43,545**	**63,613**	**79,217**	**39,934**	**46,379**
Administrative expenses	(33,307)	(44,918)	(49,373)	(24,172)	(26,849)
Operating profit	**10,238**	**18,695**	**29,844**	**15,762**	**19,530**
Finance income	20	85	158	85	24
Finance costs	(58)	(1)	(82)	(41)	(40)
Finance income/(costs) - net	(38)	84	76	44	(16)
Profit before taxation	**10,200**	**18,779**	**29,920**	**15,806**	**19,514**
Income tax expense	(2,111)	(3,643)	(5,762)	(3,074)	(3,757)
Profit for the period attributable to owners of the Company	**8,089**	**15,136**	**24,158**	**12,732**	**15,757**
Basic earnings per Ordinary Share	809	1,514	2,416	1,273	1,576
Diluted earnings per Ordinary Share	728	1,362	2,174	1,146	1,418

Consolidated balance sheet

	As at			**As at**
	28 February 2018	**28 February 2019**	**29 February 2020**	**31 August 2020**
		£'000		
Assets				
Non-current assets				
Property, plant and equipment	7,072	7,470	8,521	8,420
Right-of-use assets	-	-	1,332	1,202
Intangible assets	49,273	47,663	46,053	45,248
Trade and other receivables	294	-	1,056	459
Total non-current assets	**56,639**	**55,133**	**56,962**	**55,329**
Current assets				
Inventories	1,661	94	688	746
Contract assets	4,068	9,112	5,085	8,009
Trade and other receivables	46,753	54,598	77,094	99,268
Cash and cash equivalents	6,706	26,038	47,357	31,928
Total current assets	**59,188**	**89,842**	**130,224**	**139,951**
Total assets	**115,827**	**144,975**	**187,186**	**195,280**
Liabilities				
Non-current liabilities				
Lease liabilities	-	-	(1,295)	(1,252)
Contract liabilities	-	-	(1,001)	(1,475)
Deferred tax liabilities	(2,285)	(2,038)	(1,895)	(1,754)
Total non-current liabilities	**(2,285)**	**(2,038)**	**(4,191)**	**(4,481)**
Current liabilities				
Trade and other payables	(72,774)	(89,031)	(116,510)	(130,619)
Contract liabilities	(5,882)	(9,683)	(10,205)	(9,186)
Current tax liabilities	(1,261)	(2,070)	(3,191)	(645)
Lease liabilities	-	-	(307)	(256)
Total current liabilities	**(79,917)**	**(100,784)**	**(130,213)**	**(140,706)**
Total liabilities	**(82,202)**	**(102,822)**	**(134,404)**	**(145,187)**
Net assets	**33,625**	**42,153**	**52,782**	**50,093**
Equity				
Issued share capital	-	-	-	-
Other reserves	561	899	1,170	1,324
Retained earnings	33,064	41,254	51,612	48,769
Total equity	**33,625**	**42,153**	**52,782**	**50,093**

Consolidated statement of cash flows

	Year ended			**Six months ended**	
	28 February 2018	**28 February 2019**	**29 February 2020**	**31 August 2019**	**31 August 2020**
			£'000		
Cash flows from operating activities				*(unaudited)*	

Cash generated from operations	12,784	29,892	41,699	1,251	10,047
Interest received	20	85	158	85	24
Interest paid	(58)	(1)	(2)	(1)	(2)
Income taxes paid	(1,934)	(3,081)	(4,784)	(2,099)	(6,444)
Net cash inflow from operating activities	**10,812**	**26,895**	**37,071**	**(764)**	**3,625**
Cash flows from investing activities					
Payments for acquisition of subsidiary, net of cash acquired	(31,938)	-	-	-	-
Payments for property, plant and equipment	(227)	(1,063)	(1,745)	(521)	(322)
Net cash outflow from investing activities	**(32,165)**	**(1,063)**	**(1,745)**	**(521)**	**(322)**
Cash flows from financing activities					
Principal elements of lease payments	-	-	(207)	(70)	(132)
Dividends paid to company shareholders	-	(6,500)	(13,800)	(4,800)	(18,600)
Net cash outflow from financing activities	-	**(6,500)**	**(14,007)**	**(4,870)**	**(18,732)**
Net increase in cash and cash equivalents	**(21,353)**	**19,332**	**21,319**	**(6,155)**	**(15,429)**
Cash and cash equivalents at the beginning of the financial year	28,059	6,706	26,038	26,038	47,357
Cash and cash equivalents at end of year	**6,706**	**26,038**	**47,357**	**19,883**	**31,928**

Selected key pro forma financial information

PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 29 FEBRUARY 2020

£'000	Bytes UK for the year ended 29 February 2020 (1,3)	Proceeds from share issue net of transaction costs (5,6)	Unaudited pro forma of the Company 29 February 2020 (7)
Revenue	373,103	-	373,103
Cost of sales	(293,886)	-	(293,886)
Gross profit	**79,217**	**-**	**79,217**
Administrative expenses	(49,373)	(8,274)	(57,647)
Operating profit	**29,844**	**(8,274)**	**21,570**
Finance income	158	-	158
Finance costs	(82)	-	(82)
Profit before taxation	**29,920**	**(8,274)**	**21,646**
Income tax expense	(5,762)	-	(5,762)
Profit for the year	**24,158**	**(8,274)**	**15,884**
Profit attributable to owners of the company	**24,158**	**(8,274)**	**15,884**
Reconciliation of headline earnings			
Profit attributable to owners of the company	24,158	(8,274)	15,884
Adjusted for loss on disposal of property, plant and equipment	10	-	10
Headline earnings	**24,168**	**(8,274)**	**15,894**
Basic earnings per Ordinary Share (pence)	241,580.00		6.65
Diluted earnings per Ordinary Share (pence)	217,424.17		6.61
Headline earnings per share (pence)	241,680.00		6.65
Diluted headline earnings per share (pence)	217,514.18		6.61
Number of shares in issue	10,000		238,913,494
Weighted average number of shares in issue	10,000		238,913,494
Diluted number of shares in issue	11,111		240,422,928
Diluted weighted average number of shares	11,111		240,422,928

PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

£'000	Bytes UK for the six months ended 31 August 2020 (1,3)	Proceeds from share issue net of transaction costs (5,6)	Unaudited pro forma of the Company 31 August 2020 (7)
Revenue	221,222	-	221,222
Cost of sales	(174,843)	-	(174,843)
Gross profit	**46,379**	**-**	**46,379**
Administrative expenses	(26,849)	(8,274)	(35,123)
Operating profit	**19,530**	**(8,274)**	**11,256**
Finance income	24	-	24
Finance costs	(40)	-	(40)
Profit before taxation	**19,514**	**(8,274)**	**11,240**

Income tax expense	(3,757)	-	(3,757)
Profit for the year	**15,757**	**(8,274)**	**7,483**
Profit attributable to owners of the company	**15,757**	**(8,274)**	**7,483**
Reconciliation of headline earnings			
Profit attributable to owners of the company	15,757	(8,274)	7,483
Adjusted for loss on disposal of property, plant and equipment	18	-	18
Headline earnings	**15,775**	**(8,274)**	**7,501**
Basic earnings per Ordinary Share (pence)	157,570.00		3.13
Diluted earnings per Ordinary Share (pence)	141,814.42		3.11
Headline earnings per share (pence)	157,750.00		3.14
Diluted headline earnings per share (pence)	141,976.42		3.12
Number of shares in issue	10,000		238,913,494
Weighted average number of shares in issue	10,000		238,913,494
Diluted number of shares in issue	11,111		240,422,928
Diluted weighted average number of shares	11,111		240,422,928

PRO FORMA CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2020

£'000	Incorporation Accounts 31 August 2020 (1)	Issue of preference shares (2)	Bytes UK at 31 August 2020 (3)	Payment of the Dividend (4)	Purchase of Bytes UK and redemption of preference shares (5)	Proceeds from share issue net of transaction costs (6)	Unaudited pro forma of Company 31 August 2020 (7)
Assets							
Non-current assets	**-**	**-**	**55,329**	**-**	**-**	**-**	**55,329**
Property, plant and equipment	-	-	8,420	-	-	-	8,420
Right-of-use assets	-	-	1,202	-	-	-	1,202
Intangible assets	-	-	45,248	-	-	-	45,248
Contract assets	-	-	459	-	-	-	459
Current assets	**-**	**50**	**139,951**	**(30,000)**	**(50)**	-	**109,951**
Inventories	-	-	746	-	-	-	746
Contract assets	-	-	8,009	-	-	-	8,009
Trade and other receivables	-	50	99,268	-	(50)	-	99,268
Cash and cash equivalents	*	-	31,928	(30,000)	-	-	1,928
Total assets	*	**50**	**195,280**	**(30,000)**	**(50)**	-	**165,280**
Liabilities							
Non-current liabilities	-	-	**(4,481)**	**-**	**-**	**-**	**(4,481)**
Lease liabilities	-	-	(1,252)	-	-	-	(1,252)
Contract liabiliti8es	-	-	(1,475)	-	-	-	(1,475)
Deferred tax liabilities	-	-	(1,754)	-	-	-	(1,754)
Current liabilities	**-**	**-**	**(140,706)**	**-**	**(14,300)**	**-**	**(155,006)**
Trade and other payables	-	-	(130,619)	-	-	-	(130,619)
Contract liabilities	-	-	(9,186)	-	-	-	(9,186)
Current loan	-	-	-	-	(14,300)	-	(14,300)
Current tax liabilities	-	-	(645)	-	-	-	(645)
Lease liabilities	-	-	(256)	-	-	-	(256)
Total liabilities	**-**	-	**(145,187)**	**-**	**(14,300)**	**-**	**(159,487)**
Net assets	*	**50**	**50,093**	**(30,000)**	**(14,350)**	**-**	**5,793**
Equity							
Issued share capital	*	-	*	-	2,325	64	2,389
Preference share capital	-	50	-	-	(50)	-	-
Share premium	-	-	*	-	613,674	8,210	621,884
Other reserves	-	-	1,324	-	-	-	1,324
Merger reserve	-	-	-	-	(630,298)	-	(630,298)
Retained earnings	-	-	48,769	(30,000)	-	(8,274)	10,495
		-					
Total equity	*	**50**	**50,093**	**(30,000)**	**(14,350)**	-	**5,793**

* less than £1,000

Notes and assumptions

(1) The pro forma financial information has been prepared in accordance with the Company's accounting policies to be adopted in its next financial statements, which are consistent with those accounting policies adopted in preparing the historical information of Bytes UK. The financial information for the Company has been extracted, without material adjustment, from the incorporation accounts of the Company and reflect the £0.02 issue of share capital at incorporation. The audited historical financial information of the Company can be found in Part 12 "Financial Information of the Company". For the purposes of the pro forma financial information it has been assumed that the Company was incorporated on 31 August 2020.
(2) Subsequent to incorporation the Company's initial shareholders subscribed for 50,000 redeemable voting preference shares of £1 each to satisfy the minimum share capital requirements for UK public companies as described in paragraph 2 of Part 15 "Additional Information". A pro forma adjustment has been recorded to reflect the £50,000 preference share capital and related receivable. These preference shares are to be redeemed on Admission through the issuance of New Shares.
(3) In order to give effect to the Demerger, Altron, Bytes SA, Bytes UK Management, the Company and Bytes Technology Holdco entered into the Demerger SPA on 2 November 2020. Pursuant to the

Demerger SPA, on Admission Bytes UK will become a subsidiary of the Company. The details of the Demerger are set out more fully in Part 5 "Details of the Demerger". To illustrate the effect of the acquisition of Bytes UK by the Company a pro forma adjustment has been recorded to reflect the consolidation of Bytes UK as at and for the relevant period, using the relevant financial information extracted from the audited historical financial information contained in Part 11 "Financial Information of Bytes UK". As the Company was only incorporated on 7 October 2020, the Company did not incur any revenue or expenses in the year ended 29 February 2020 or the six months ended 31 August 2020. Consequently, there is not a statement of profit or loss for the Company reflected in the pro forma financial information.

(4) An adjustment has been recorded in the pro forma balance sheet to reflect the Dividend.

(5) As more fully set out in Part 5 "Details of the Demerger", Altron, Bytes SA, Bytes UK Management, the Company and Bytes Technology Holdco have entered into the Demerger SPA for (i) Altron, through Bytes SA, to dispose of its A ordinary shares in Bytes UK to Bytes Technology Holdco (ii) Bytes UK Management to sell their B ordinary shares in Bytes UK to the Company. The Company will settle the purchase consideration for the ordinary shares in Bytes UK through (i) the issue of Convertible Notes to Bytes SA, (ii) the payment to Bytes UK Management of £14.3 million, and (iii) the issue of Bytes UK Management Consideration Shares equal to 5 per cent. of the issued share capital of the Company at Admission (as enlarged by the issue of such shares).

The Company entered into the Convertible Notes Instrument and issued a single Certificate in respect of all the Convertible Notes to Bytes SA on 3 November 2020. Redemption or conversion of the Convertible Notes is conditional on fulfilment of the Suspensive Conditions and the Convertible Notes will lapse and be cancelled for no value if the Suspensive Conditions are not fulfilled or waived by the Long Stop Date. On Admission, the Company will have, through Bytes Technology Holdco, acquired the A ordinary shares in Bytes UK from Bytes SA and the B ordinary shares in Bytes UK from Bytes UK Management and the Convertible Notes will have been redeemed for cash or converted into New Shares. The total value of the consideration for the disposal of Bytes UK at the Offer Price, based on the assumptions set out below, is £630.3 million. This is comprised of:

- £306.5 million being the number of Converted Shares issued multiplied by the Offer Price assuming the Base Offer Assumptions;
- £277.8 million being the number of Convertible Notes redeemed for cash multiplied by the Offer Price;
- £31.7 million being the number of Bytes UK Management Consideration Shares issued multiplied by the Offer Price; plus
- the amount of £14.3 million paid as cash consideration to holders of B ordinary shares.

For the purposes of this pro forma financial information, the Offer Price is assumed to be 265p, with 232.4 million Shares issued in aggregate to redeem or convert the Convertible Notes, settle the purchase consideration other than the £14.3 million to be paid to holders of B ordinary shares and pay the Demerger Stamp Duty and IPO Expenses. Pro forma adjustments have been made to reflect this issuance of Shares resulting in increases in share capital of £2.3 million and share premium of £613.7 million and a debit to merger reserve of £630.3 million. Immediately following Admission, the Company intends (to the extent that it does not have available cash on hand) to borrow £14.3 million under the HSBC Facility Agreement to settle the £14.3 million to be paid as cash consideration to holders of B ordinary shares.. Accordingly, a £14.3 million pro forma adjustment has been recorded to current loans to reflect this borrowing.

On Admission, the Company will have redeemed the preference shares issued to the Company's initial shareholders. Consequently, a pro forma adjustment has been recorded to reflect the redemption of the preference shares and elimination of the related receivable of £50,000.

Other than in relation to the £14.3 million cash consideration described above, the impact of the transactions described within this note 5 is cash neutral. The impact of these transactions on the investments line of the consolidated balance sheet is extinguished on consolidation.

(6) An assumption has been made that on Admission the Company will issue 6.5 million Shares of £0.01 each at the Offer Price in order to fund the payment of the IPO Expenses and Demerger Stamp Duty. Consequently, pro forma adjustments have been recorded to show the £17.1 million cash proceeds to the Company from the issuance of equity, £64,000 of issued share capital and the related £17.1 million share premium. The IPO Expenses and Demerger Stamp Duty are expected to amount to £17.1 million, based on the assumptions made. These costs are not expected to be continuing. A pro forma adjustment has been made to reflect the cash outflow for these costs offsetting the cash proceeds to the Company. £8.8 million relates to direct share issue expenses and has been assumed therefore to be capital in nature and a pro forma adjustment is shown to offset this against share premium. The remaining £8.3 million is an estimate of the Demerger Stamp Duty and IPO Expenses. A pro forma adjustment has been recorded to reflect this amount in administrative expenses in the pro forma statement or profit or loss and in retained earnings in the pro forma balance sheet.

(8) Except for the adjustment described in note 3 above, which reflects the historical financial information of Bytes UK, all of the transactions above are in relation to Admission and are one off in nature. No adjustment has been made to reflect the results of the Company or Bytes UK since 31 August 2020.

Section B.3 - What are the key risks that are specific to the issuer?

- The Bytes Group depends on the sustainability of its relationships with key vendor partners and their distributors, particularly its relationship with Microsoft.
- The failure to meet certain performance requirements, including the loss of vendor accreditations by the Bytes Group, could result in it being unable to join new framework agreements, or result in the termination of existing framework agreements, either of which could negatively affect the Bytes Group's ability to do business with public sector customers.
- Incentive income received from the Bytes Group's vendor partners and their distributors, which partially offsets its costs of sales, may be significantly reduced or eliminated.
- The success of the Bytes Group's business and the implementation of its growth strategy depends on its ability to attract, recruit and retain a talented sales team.
- Any deterioration in the Bytes Group's culture could result in a decline in employee satisfaction and, as a result, customer service and satisfaction.
- A reduction by vendors in the use of, or demand for, intermediaries between vendors and end-users in the UK IT market could have a material adverse impact on the Bytes Group's business and profitability.
- Competition in the UK IT market, or the commoditisation of IT products, may result in the Bytes Group being unable to win or maintain market share and have a material adverse impact on the Bytes Group's business and profitability.
- Economic deterioration, including as a consequence of the COVID-19 pandemic, could give rise to a diminution, or delay in customer IT expenditure, which could have a material adverse effect on the Bytes Group.
- The Bytes Group may be unable to adapt to changing customer demands and preferences in the UK IT market, and products and services that it is unable to offer on a competitive basis or at all may be widely adopted in substitution for the products and services that the Bytes Group offers.
- An increased demand for the provision of additional IT services may result in increased overheads and a reduction in the Bytes Group's profit margin.

Section C – Key information on the securities

Section C.1 - What are the main features of the securities?

C.1.1 - Description of type and class of securities being offered

The Offer comprises up to 230,756,765 New Shares of the Company.

When admitted to trading, the Shares will be registered with ISIN GB00BMH18Q19 and SEDOL number BMH18Q1. The JSE has granted a secondary inward listing of the Shares in the Software and Computer Services sector of the JSE under the abbreviated name "Bytes", symbol "BYI" and ISIN GB00BMH18Q19 subject to the fulfilment of certain conditions (including, in accordance with paragraph 18.10(b) of the JSE Listings Requirements, the Company having made arrangements, to the satisfaction of the JSE's Clearing and Settlement division, to ensure that there are a sufficient number of shares entered into the South African branch register from the time of JSE Admission).

C.1.2 - Currency , denomination, par value, number of securities issued and term of the securities

The currency of the Shares is pounds sterling and the Shares will trade on the London Stock Exchange in pounds sterling and on the JSE in Rand.

On Admission, there will be a maximum of 242,901,860 Shares in issue, assuming the Offer Price is set at the bottom of the Price Range and 100 per cent. of the Convertible Notes held by Altron Ordinary Shareholders are redeemed for cash.

Assuming the Base Offer Size Assumptions and the Offer Price is set at the mid-point of the Price Range, there will be 238,913,494 Shares in issue on Admission.

All Shares in issue on Admission will be fully paid.

C.1.3 - Rights attached to the Shares

The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

In respect of resolutions of the Company, on a show of hands every Shareholder who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Share.

Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

C.1.4 - Seniority of securities

Not applicable. There is no difference in seniority between Shares.

C.1.5 - Restrictions on free transferability of the Shares

Not applicable: the Shares will be freely transferable upon Admission. The Shares will have full transferability between the LSE and the JSE and the UK share register and South African branch share register, subject to investors obtaining necessary exchange control approvals where necessary.

C.1.7 - Dividend policy

The Board initially intends to target an annual dividend of between 40 per cent. and 50 per cent. of the Bytes Group's profit after tax before any exceptional items in each financial year. Subject to any cash requirements for on-going investment, the Board will consider returning excess cash to Shareholders over time.

The Board expects that the first dividend that may be declared by the Company after Admission will be the interim dividend in respect of the year ending 28 February 2022, which, if declared, will be payable in the final quarter of 2021. The Board may revise the Company's dividend policy from time to time.

C.2 - Where will the securities be traded?

Application has been made to the FCA for all of the Shares to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Shares to be admitted to trading on London Stock Exchange's main market for listed securities. Application has also been made to the JSE for all the Shares to be admitted to listing and trading as a secondary inward listing on the Main Board of the JSE.

C.3 - What are the key risks that are specific to the securities?

- There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained. It may be difficult for Shareholders to realise their investment as there may not be a liquid market in the Shares.
- The price of the Shares may be volatile and affected by a number of factors, some of which are beyond the Company's control.
- The Company may not be able to declare and make dividend payments now or in the future.
- Future sales or the possibility of future sales of a substantial number of the Shares could have an adverse effect on the price of the Shares, and the issuance of an additional number of the Shares could dilute the interests of shareholders.

Section D – Key information on the Offer and Admission

D.1 - Under which conditions and timetable can I invest in this security?

D.1.1 - Terms and conditions of the Offer

All Shares subject to the Offer will be issued or sold at the Offer Price, which will be determined by the Company, in consultation with Numis and Altron. The Offer Price and the New Share Offer Size are expected to be announced on or around 11 December 2020. The Pricing Statement, which will contain, among other things, the Offer Price and the New Share Offer Size, will (subject to certain restrictions) be published on the Company's website at www.bytesplc.com.

It is currently expected that the Offer Price and the New Share Offer Size will be set within the Price Range and the New Share Offer Size Range, however the Offer Price, and the New Share Offer Size may be within, above or below the Price Range and the New Share Offer Size Range. A number of factors will be considered when setting the Offer Price, including the level and nature of demand for New Shares during the book-building process and the objective of encouraging the development of an orderly after-market in the Shares.

If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements of the FCA), then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for New Shares pursuant to Article 17 of the Prospectus Regulation. In such circumstances, the Pricing Statement will not be published until the period for exercising such withdrawal rights has ended. The expected date of publication of the Pricing Statement will be extended and the arrangements for withdrawing offers to subscribe for New Shares would be made clear in the announcement.

The Offer comprises an institutional offer only. In the Offer, the New Shares will be offered (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S and in accordance with locally applicable laws and regulations, and (ii) in the United States only to QIBs in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

In South Africa, the Offer will only be made by way of private placement to South African Qualifying Investors.

None of the New Shares comprising the Offer may be offered for subscription, sale or purchase or be subscribed, sold or delivered, and this Prospectus and any other offering material in relation to the New Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

D.1.2 - Expected timetable

Publication of this Prospectus (Offer opens)	1 December 2020
Publication of the abridged Pre-Listing Statement announcement on SENS	1 December 2020
Latest time and date for receipt of indications of interest from investors in the Offer (Offer closes)	5.00 p.m. on 10 December 2020
Publication of the Pricing Statement containing the Offer Price(3)	on or about 11 December 2020
Commencement of conditional dealings on the London Stock Exchange(3)(4)	8.00 a.m. on 11 December 2020
Completion of Demerger	8.00 a.m. on 17 December 2020
Admission and commencement of unconditional dealings in the Shares on the London Stock Exchange(5)	8.00 a.m. on 17 December 2020
Admission and commencement of dealings in the Shares on the JSE(5)	10.00 a.m. (Johannesburg time) on 17 December 2020

Crediting of Shares to CREST accounts	17 December 2020
Crediting of Shares to Dematerialised South African Shareholders' accounts with their CSDP or Broker	17 December 2020
Despatch of definitive share certificates (where applicable)	Week commencing 28 December 2020

Notes:

(1) Times and dates set out in the timetable above are indicative only and subject to change without further notice in particular, the dates and times of the announcement of the Offer Price and New Share Offer Size and commencement of unconditional dealings in Shares on the LSE and the JSE may be accelerated or extended by agreed between Numis and the Company.

(2) All times are London time, unless otherwise stated herein. The time in Johannesburg will be two hours ahead of London time.

(3) The Pricing Statement will not automatically be sent to persons who receive this Prospectus but it will be available free of charge at the registered office of the Company at Bytes House, Randalls Way, Leatherhead, Surrey, England , KT22 7TW. In addition, the Pricing Statement will be published (subject to certain restrictions) in electronic form and available on www.bytesplc.com. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements of the FCA), then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Shares pursuant to Article 17 of the Prospectus Regulation. The arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the announcement.

(4) It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

(5) Settlement in connection with the Offer will be on a four-trading day basis (T+4) rather than the usual three-trading day (T+3) basis. As a result, investors trading on the first day of unconditional dealings will need to make alternative settlement arrangements with their counterparties.

D.1.3 - Admission

It is expected that Admission will take place and unconditional dealings in the Shares will commence on London Stock Exchange at 8.00 a.m. on 17 December 2020 (London time) and on JSE at 10.00 a.m. (Johannesburg time) on 17 December 2020. Prior to Admission, it is expected that dealings in the Shares will commence on a conditional basis on London Stock Exchange on 11 December 2020. The earliest date for settlement of such dealings will be 17 December 2020. All dealings in the Shares prior to the commencement of unconditional dealings will be on a "when issued" basis and will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.

The Offer is subject to: (i) the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature, including Admission occuring no later than 8.00 a.m. (London time) and 10.00 a.m. (Johannesburg time) on 17 December or such later date as the Company and Numis may agree in writing (being no later than the Long Stop Date), and (ii) the Underwriting Agreement not having been terminated prior to Admission.

D.1.4 - Dilution

Prior to completion of the Demerger and Admission, there are only two Shares and 50,000 redeemable preference shares of £1.00 each in issue so existing Shareholders will experience an approximately 100.0 per cent. dilution (excluding any Shares to be issued to the existing Shareholders on Admission) from the issue of up to 242,901,860 Shares on Admission.

D.1.5- Net proceeds and expenses

After deduction of the Demerger Stamp Duty and IPO Expenses, the Company intends to use the net proceeds to redeem for cash those Convertible Notes that are subject to Redemption. No net proceeds will be retained by the Company.

Assuming the Base Offer Size Assumptions and the Offer Price is set at the mid-point of the Price Range, the net proceeds receivable by the Company are expected to be £277.8 million, after deducting Demerger Stamp Duty of £3.2 million and IPO Expenses of £14.0 million.

Section D.2 - Who is the offeror and/or the person asking for admission to trading?

The New Shares are being offered by the Company. The Company is a public limited company, incorporated in England and Wales, operating under the Act and the regulations made thereunder.

Section D.3 - Why is this prospectus being produced

D.3.1 - Reasons of the offer and use of proceeds

This Prospectus has been prepared in connection with: (i) the application for the Shares to be admitted to the premium listing segment of the Official List and to trading on the LSE's main market for listed securities; and (ii) the secondary inward listing of the Shares on the JSE's Main Board (in respect of which it meets the requirements for a pre-listing statement in terms of the JSE Listings Requirements, but is not, and does not purport to be, a "registered prospectus" or "advertisement" ", as contemplated by the South African Companies Act). The Directors believe that the Offer will (i) support the development of an active and liquid market in the Shares on the LSE and the JSE; and (ii) broaden the investor base of the Company by allowing new investors to participate in the listing of the Company, as well as generating proceeds for Altron and Altron Shareholders.

The Company intends to use the net proceeds it receives from the Offer (after deduction of Demerger Stamp Duty and IPO Expenses) to redeem for cash those Convertible Notes that are subject to Redemption.

D.3.2 - Underwriting

The New Shares to be issued pursuant to the Offer have been fully underwritten, subject to certain customary conditions, by Numis in accordance with the Underwriting Agreement.

D.3.3 - Conflicts of interest

Not applicable; there are no interests that are material to the Offer.

PART 1 - RISK FACTORS

Any investment in the Shares is subject to a number of risks. Prior to investing in the Shares, you should carefully consider risks associated with any investment in securities and, in particular, the Shares, as well as the Bytes Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.

The risk factors set out below do not purport to be a complete list or explanation of all the risks involved in investing in the Shares or that may adversely affect the Bytes Group's business. Other risks and uncertainties relating to an investment in the Shares and to the Bytes Group's business that are not currently known to the Bytes Group, or that the Bytes Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on its results of operations, financial condition and business prospects. If any such risks occur, the price of the Shares may decline and you could lose all or part of your investment. An investment in the Shares involves complex financial risks and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. You should consider carefully whether an investment in the Shares is suitable for you in light of the information in this Prospectus and your personal circumstances.

Prospective investors should note that the risks relating to the Bytes Group, its industry and the Shares summarised in the section of this Prospectus entitled "Summary" are the risks that the Directors and the Company believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Bytes Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the additional risks and uncertainties described below.

1 Risks relating to the business and operations of the Bytes Group

1.1 *The Bytes Group depends on the sustainability of its relationships with key vendor partners and their distributors, particularly its relationship with Microsoft*

The Bytes Group does not generally produce products for sale to its customers but rather sources them through its vendor partners, including their distributors who are authorised to make their products available to resellers, including value-added resellers ("**VARs**") such as the Bytes Group. Therefore, the Bytes Group is dependent on its vendor partners and their distributors in respect of its revenue from the sale of software. Resales of products supplied through the Bytes Group's top ten vendors by gross profit accounted for 74.1 per cent. of the Bytes Group’s gross profit in FY20 (FY19: 76.6 per cent.), representing £58.7 million (FY19: £48.7 million). Microsoft is the Bytes Group's most significant vendor partner and resales of its products alone accounted for 52.4 per cent. of the Bytes Group's gross profit in FY20 (FY19: 53.9 per cent.), representing £41.5 million (FY19: £34.3 million).

The Bytes Group has arrangements in place with certain vendor partners and distributors which provide for specific terms and conditions that apply to transactions conducted by the Bytes Group. Many vendor partners have also established reseller programmes which require that participants (such as the Bytes Group) agree to their standard terms and conditions. In both cases, the terms and conditions may include requirements to achieve and maintain certain volumes of sales or a level of accreditation, which may be based on volume of sales and/or the number and level of certifications attained by the Bytes Group’s employees in respect of that vendor partner’s products. In addition, vendor partners may limit the Bytes Group's right to resell some or all of their products. Further, the standard terms and conditions for most reseller programmes (and, in certain cases negotiated terms and conditions with vendor partners) can be amended by the relevant vendor partner with limited notice. There can be no assurance that the Bytes Group will be able to comply with all existing and/or future terms and conditions imposed by vendor partners and their distributors, or otherwise continue to be able to resell products on the terms currently applied. Vendor partners also periodically change their fee arrangements with VARs, and any such changes could have an adverse impact on the Bytes Group's gross profit.

The Bytes Group's vendor partners may be able to terminate their arrangements with the Bytes Group upon certain events, such as a change of control, or, in certain cases, with limited notice or without cause. The Demerger could constitute a change of control for the purposes of certain arrangements between the Bytes Group and its vendor partners, and there can be no assurance that, subject to the terms of those arrangements, some or all of those vendor partners will not seek to amend or terminate their arrangements as a result. Further, even where the Bytes Group has complied with its obligations, vendor partners and distributors may expand their relationships with or provide more favourable terms to the Bytes Group's competitors, given that the Bytes Group's relationships with vendor partners and distributors are generally non-exclusive.

The Bytes Group's vendor partners may also elect not to enter into new relationships with the Bytes Group, or renew favourable terms presently made directly available to certain of the Bytes Group's customers (such as the Microsoft DTA between Microsoft and Crown Commercial Services) when those arrangements become due for renewal. The Microsoft DTA, which provides discounted pricing and beneficial terms for certain Microsoft products to eligible UK public sector organisations, is due for renewal in April 2021. While the Directors expect the Microsoft DTA to be renewed by Microsoft for a further three year term, there can be no assurance that the Microsoft DTA will be renewed. If the Microsoft DTA is not renewed, the Bytes Group would still be able to resell Microsoft products to the UK public sector organisations currently covered by the Microsoft DTA but may, under such circumstances, be required to resell such Microsoft products to them without the discounted pricing and/or beneficial terms they would have otherwise received under the Microsoft DTA, and, as a result the affected UK public sector organisations may decrease their overall spend on Microsoft products with the Bytes Group. Accordingly, any failure to renew the Microsoft DTA may have an adverse impact on the Bytes Group's resale of Microsoft products to the UK public sector, and, as a consequence, on the Bytes Group's business and profitability.

If the Bytes Group were unable to comply with the terms and conditions imposed by vendor partners and their distributors, or were unable to resell some or all of its vendor partners' products, in particular Microsoft products, or if such arrangements with the Bytes Group's vendor partners and/or distributors were amended to contain less favourable terms, or vendor partners elected not to enter into new relationships with the Bytes Group, it could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.2 ***The failure to meet certain performance requirements, including the loss of vendor accreditations by the Bytes Group, could result in it being unable to join new framework agreements, or result in the termination of existing framework agreements, either of which could negatively affect the Bytes Group's ability to do business with public sector customers***

The Bytes Group is a party to various framework agreements with national and local public sector organisations, predominantly in the UK government, public education and healthcare sectors. Under the terms of these framework agreements, organisations can quickly purchase products and services on standard terms and conditions without needing to conduct a lengthy and costly independent tender process. Whilst there is no requirement for public sector organisations to contract through such framework agreements, the Directors believe that the Bytes Group's recognition as a pre-qualified supplier through such arrangements (including the associated administrative efficiencies) enables it to undertake significantly more business with public sector customers.

To provide services under these agreements, the Bytes Group must agree to certain terms and conditions that would not typically be agreed between the Bytes Group and its corporate customers. For instance, framework agreements may require the Bytes Group to maintain specified technical and other certifications and accreditations and meet certain customer satisfaction criteria. The Bytes Group's failure to comply with such terms and conditions under its framework agreements may result in a public sector organisation terminating the Bytes Group's participation in a relevant framework agreement or reducing any orders it may otherwise place with the Bytes Group under the terms and conditions of the framework agreement.

Further, given the long-term nature of framework agreements (with such arrangements generally lasting for between three and five years), the process for securing a position on a new framework agreement is highly competitive. Public sector organisations generally consider a variety of factors (including vendor accreditations and other certifications) in determining which suppliers are selected for inclusion on the framework. Any failure to meet applicable performance or other eligibility requirements , including the loss of vendor accreditations, could result in the Bytes Group being unable to join new framework agreements.

A significant portion of the Bytes Group's revenue and gross profit, particularly in the Phoenix business, is attributable to public sector customers and a significant portion of that public sector business is undertaken through framework agreements. Accordingly, if the Bytes Group were unable to join new framework agreements, or if its participation in existing framework agreements were terminated, the Bytes Group's revenue from public sector customers could decrease, which could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.3 *Incentive income received from the Bytes Group's vendor partners and their distributors, which partially offsets its costs of sales, may be significantly reduced or eliminated*

Certain vendor partners and/or their distributors provide the Bytes Group with incentives in the form of rebates, marketing funds and price protections, which enable the Bytes Group to partially offset its cost of sales. The Bytes Group's eligibility for such incentives may be based on a variety of factors such as its volume of sales, levels of accreditation and certifications held, growth rate of net sales or purchases and marketing programmes. In FY20, the Bytes Group received £22.9 million in rebate income from its top 10 vendor partners and their distributors (FY19: £20.5 million), representing 6.1 per cent. of the Bytes Group's revenue (FY19: 5.9 per cent.).

If the Bytes Group does not meet the eligibility requirements for these programmes, or does not comply with their terms, it may have an adverse effect on the level of incentive income offered or paid to the Bytes Group. In addition, there can be no assurance that the vendor partners (or their distributors) will continue to offer such incentives or that they will not reduce the level of available incentives or change the eligibility requirements. Any adverse changes to such programmes, including the elimination of, or significant reductions in, amounts made available to the Bytes Group under such programmes (in particular those of Microsoft and its other top ten vendor partners), could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.4 *The success of the Bytes Group's business and the implementation of its growth strategy depends on its ability to attract, recruit and retain a talented sales team*

The success of the Bytes Group's business and the implementation of its growth strategy is reliant on the effectiveness of its sales team in increasing the amount of business from the Bytes Group's existing customers, as well as driving new customer growth. The Bytes Group's sales team, which includes sales directors, account directors, account managers and sales specialists, is responsible for both managing and growing existing customer relationships and establishing new customer relationships. As the Bytes Group continues to develop and diversify its offering, it is important that its sales team members also have the capacity, technical expertise and motivation to effectively sell its offerings to customers. In particular, the Directors believe that the longevity of service and depth of industry knowledge of its sales team members is a key component of its relationships with customers.

The Directors believe that a significant factor in the Bytes Group's long-term retention rate of key sales staff is its differentiation as an employer-of-choice, with Bytes Software Services being ranked 21st in the Sunday Times' list of the best 100 Mid Companies to work for in 2020. If the Bytes Group were unable to maintain this distinction and its reputation in the market for having a strong employee culture, it could have greater difficulty in attracting and retaining a talented sales team and could also be required to increase remuneration levels to attract and retain sales staff.

If the Bytes Group were unable to attract, recruit and retain a talented sales team as a result of a deterioration in its employee culture or for any other reason, it may experience a decline in its ability to effectively sell its offerings and the overall levels of customer service. As account managers typically act as customers' primary point of contact from the start of a customer relationship, the Bytes Group may also face a deterioration in, or loss of, customer relationships if account managers leave the Bytes Group or if growth in customer numbers strains the capacity of account managers or other sales team members. Any such deterioration in customer relationships could negatively impact the Bytes Group's ability to maintain its existing customer base and grow its share of the customer wallet (see paragraph 1.8 of this Part 1, "*The Bytes Group may be unable to maintain customer relationships or grow customer spend*"). Further, any increase in the necessary levels of remuneration for sales staff may reduce the Bytes Group's profit margin (given that staff costs comprise a significant majority of the Bytes Group's costs). If any of these events were to occur, it may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.5 ***Any deterioration in the Bytes Group's culture could result in a decline in employee satisfaction and, as a result, customer service and satisfaction***

The Directors believe that having motivated and engaged employees is critical to the delivery of a high quality customer service offering and, in turn, profitable growth. The Directors believe that the successful motivation and incentivisation of the Bytes Group's employees has been largely dependent on its strong employee culture. However, as the Bytes Group continues to grow its business, it may face challenges in maintaining its distinctive culture, which could be further exacerbated by a continuation of the growing trend towards remote working, particularly as a result of the COVID-19 pandemic. For example, maintaining open communication from, and visibility of, members of Senior Management across a more dispersed and remote employee base may become more difficult and levels of employee engagement and satisfaction may suffer as a result.

Were the Bytes Group to experience any adverse change in its culture, levels of employee satisfaction may decrease, which may result in a decline in overall employee performance and, therefore, lower levels of customer service and satisfaction. As a consequence, valued employees and customers could leave the Bytes Group, or customers may reduce their spend, any of which could have a material adverse effect on the Bytes Group’s business, results of operations and financial condition.

1.6 ***Any failure or disruption of the Bytes Group's IT infrastructure may negatively affect its business***

The Bytes Group's internal and external IT infrastructure is distributed across its own and certain third-party owned and managed data centres in the United Kingdom and the European Union, which are continuously monitored from the Bytes Group’s offices and certain third-party security operations centres. In addition, the Bytes Group offers its customers managed software and hardware asset management platforms that use the Bytes Group’s IT infrastructure. The Bytes Group and its customers rely on the continuous and uninterrupted availability of such IT infrastructure to conduct their respective businesses.

Any IT infrastructure failure or disruption, including as a result of natural disasters or accidents (such as a serious flood or fire), virus, security intrusion (including any deliberate acts of internal sabotage), malfunction or adverse occurrence with respect to the Bytes Group's data centres or managed services platform may negatively affect the Bytes Group's ability to provide prompt and efficient service to its customers, which may cause customers to experience a significant disruption in acquiring their software licences, or accessing their software and hardware asset management data, which may negatively impact their critical business functions. In addition, any IT infrastructure failure or disruption could negatively impact the Bytes Group's own business functions, including the management of payroll, customer accounts and invoicing, and other internal functions.

Any security intrusion, virus or other breach may also compromise confidential information stored by the Bytes Group (see paragraph 3.1 of this Part 1, "*Breaches in the security of electronic and other confidential information collected, processed, stored and transmitted by the Bytes Group may give rise to significant liabilities and reputational damage*"). Whilst the Bytes Group has not been subject to any material events of IT disruption in the five years prior to the date of this Prospectus, the Directors believe that the risk of cyber security breaches (such as viruses, ransomware, denial-of-service attacks, hacking attempts or other unauthorised use of the Bytes Group's computers or networks) is likely to continue to increase over time.

If any of these events were to occur, it may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.7 ***The Bytes Group may face pressure on profit margins as a result of changes in its customer mix or customer preferences***

The UK IT market is highly price competitive and gross profit margins can be variable between the various product, service and customer segments, as well as within each product and service offering category. The Bytes Group may not be able to effectively respond to pricing pressure from its vendor partners or customers, and any resulting declines in sales and gross profit, with cost reductions in other areas or expansion into new or higher margin product and service offerings.

The Bytes Group's gross profit margins may also be affected by changes in its customer mix over time. For example, the Bytes Group's gross profit margins could decline should public sector customers increase as a proportion of its overall customer mix, as margins on offerings sold to public sector organisations tend to be lower than margins on the same offerings sold to corporate customers.

Further, if customer preferences were to change, as a result of the development of new technologies, or changes in the use of existing IT hardware or software, or for any other reason, the Bytes Group may not be able to immediately respond, for instance by adapting employee training or its product mix effectively, which could result in a decline in its sales and gross profit.

If the Bytes Group were unable to effectively respond to changes in customer mix, customer preferences or increased pricing pressure resulting from the above factors, or any other reason, it may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.8 ***The Bytes Group may be unable to maintain customer relationships or grow customer spend***

The Bytes Group aims to increase customer spend (the share of customer wallet) as its relationships with customers mature by identifying additional products and services that a customer may need or find useful. Whilst the Bytes Group has historically been successful in maintaining its existing customer base and growing its share of the customer wallet (achieving a 115 per cent. renewal rate from its customers in FY20), there can be no assurance that these trends will continue. Given the nature of customer contracts in the UK IT market, there is also significant flexibility for customers to decide with little or no notice not to renew their arrangements with the Bytes Group.

Customers may terminate their relationships with the Bytes Group for a variety of reasons including as a result of dissatisfaction with its products and services, prices or quality, some of which may be outside of the Bytes Group’s control, and in many cases such termination may be made without notice and/or cause. If the Bytes Group is unable to maintain or grow its existing customer relationships, it could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.9 ***The Bytes Group is substantially dependent on Senior Management***

The Bytes Group's future success is substantially dependent on the continued services and performance of its senior management team, which comprises the Chief Executive Officer, Chief Financial Officer, Phoenix Managing Director and Phoenix Finance Director (together, “**Senior Management**”), most of whom have significant experience at the Bytes Group and knowledge of its industry. However, there can be no assurance that Senior Management will continue working at the Bytes Group. Each member of Senior Management is entitled to resign from their position by giving not less than six months' notice, save for the Chief Executive Officer who is required to give 12 months' notice. The Bytes Group does not maintain key employee insurance in respect of such persons.

Furthermore, while members of Senior Management are subject to restrictive covenants which restrict their ability to compete with the Bytes Group or solicit the Bytes Group’s vendor partners, customers or employees post termination of their employment, there can be no assurance that the Bytes Group will be able to enforce such restrictive covenants. In addition, the Bytes Group may face challenges in attracting suitably qualified new senior management team members. The departure of any member of Senior Management without an adequate replacement being in place or available may have a material adverse effect on the Bytes Group’s business, results of operations and financial condition.

1.10 ***The Bytes Group is exposed to customer credit risk***

The Bytes Group extends credit terms to its customers for a significant proportion of its sales, typically on 30-day payment terms. As a result, the Bytes Group is exposed to the risk that its customers may not pay or may delay payment for the products and services they purchase. Whilst the Bytes Group implements policies in order to manage customer credit risk (including undertaking customer credit checks and, with respect to direct Microsoft enterprise agreement sales and externally provided consulting services, allowing the relevant vendor to transact directly with the end customer so that customer credit risk is borne by the vendor), levels of exposure may increase due to liquidity or insolvency issues experienced by either the Bytes Group's customers or, where relevant, their customers or end-users as a result of an economic downturn or an adverse change in their business.

Customers may also initiate payment disputes, including as a result of dissatisfaction with the purchased IT infrastructure and/or services. Whilst the Bytes Group only recognised aggregate impairment losses of just over £74,000 in respect of debtors between FY18 and FY20 (representing approximately 0.1 per cent. of the Bytes Group's gross profit over such period), during FY20 the average age of the Bytes Group's debtors was 32 days (up from 31 days during FY18). If the Bytes Group were to experience significant delays in collecting payment for invoiced amounts, or were unable to collect them at all, it may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.11 ***Any deterioration in the Bytes Group's credit rating may negatively affect its ability to conduct business with certain customers and vendor partners***

The Bytes Group conducts business with a large number of sophisticated customers and vendor partners, many of whom manage their exposure to credit risk by specifying minimum requirements in respect of the creditworthiness of their potential suppliers and customers. In connection with such risk assessments, the Bytes Group's customers and vendor partners are heavily reliant upon reports from third-party credit agencies in evaluating the financial strength and creditworthiness of the Bytes Group. Accordingly, if any of the major UK credit monitoring agencies were to downgrade the Bytes Group's credit rating or the recommendations contained in their respective reports, as a result of changes to the Bytes Group's financial performance or financial position or any other reason, it could negatively affect the Bytes Group's ability to conduct business with its customers and vendor partners, which could in turn have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.12 ***The Bytes Group is exposed to liability and reputational risks in respect of its use of third-parties to service its customers***

At times, the Bytes Group supplements its own specialist workforce with resources from its preferred IT infrastructure and services partners to provide certain services to its customers. Although the Bytes Group maintains a list of preferred partners, it may have limited or no control over such third-parties' actions. Further, given the tacit endorsement of such IT partners by the Bytes Group, the performance of such third-parties can reflect on the Bytes Group.

Poor, inappropriate or illegal performance or behaviour by a third-party engaged by the Bytes Group may result in a deterioration or loss of the Bytes Group's customer relationships, which may have an adverse effect on the Bytes Group's revenue and profitability. Further, the Bytes Group's revenue and results of operations may be adversely affected if any of its preferred IT partners choose to offer to the Bytes Group's customers, either directly or through the Bytes Group's competitors, services of the type that the Bytes Group provides. Were the Bytes Group to face any such risks in respect of its third-party service providers, it may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.13 ***The success of the Bytes Group's hardware resale business, particularly its e-commerce platform, depends on the timely availability of its vendor partners' products***

Whilst hardware sales have historically accounted for a small proportion of the Bytes Group's revenue, the Directors believe that its recently established e-commerce platform represents an important opportunity to capitalise on existing and growing demand from its customers and grow this element of the Bytes Group's business. Accordingly, the Bytes Group's ability to source hardware in the required quantities and to fulfil customer orders in a timely manner is important to developing its hardware resale business and establishing the viability of the Bytes Group's e-commerce platform.

Although the Bytes Group benefits from integration with its vendor partners' supply chains to provide up-to-the-minute stock and availability information to the Bytes Group's sales team, such systems may fail or be disrupted due to circumstances outside of the Bytes Group's control. Timely fulfilment of the Bytes Group's customer orders may at times be adversely affected by a supply shortage of certain hardware as a result of strong demand or production or delivery problems experienced by its vendor partners, their distributors and/or third-party logistics providers, or as a result of an industry-wide shortage.

Further, the Bytes Group may be unable to offer certain new or existing IT hardware to its customers because it is not available for resale through the existing distribution network in which the Bytes Group operates (see paragraph 2.4 of this Part 1, "*The Bytes Group may be unable to adapt to changing customer demands and preferences in the UK IT market, and products and services that it is unable to offer on a competitive basis or at all may be widely adopted in substitution for the products and services that the Bytes Group offers"*).

If shortages or delays were to persist, the Bytes Group's customers may cancel their orders and the Bytes Group would be unable to generate the associated revenue. In addition, the Bytes Group may experience shortages or delays if its vendor partners decide to increase the proportion of the hardware they sell to other geographies, to other resellers or directly to the Bytes Group's customers and end-users. The Bytes Group's vendor partners or their distributors may also be unable to fulfil the Bytes Group's customer orders on a timely basis. If any of the above were to occur, it could have a material adverse impact on the Bytes Group's ability to grow its hardware sales, which may, in turn, have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.14 ***The Bytes Group may be unable to protect its intellectual property adequately, and may be subject to intellectual property infringement claims***

The Bytes Group relies on both registered and unregistered trademarks, copyrights and unpatented proprietary know-how, as well as confidentiality, non-solicitation and non-competition agreements to protect its intellectual property (such as the Bytes Group's proprietary quantum management tool, which assists customers in managing their IT spend). There can be no assurance that such measures will afford sufficient protection of the Bytes Group's intellectual property, and third parties may copy or otherwise obtain and use the Bytes Group's proprietary information without authorisation or otherwise infringe its intellectual property rights. Disputes regarding the ownership of and the right to use any of the Bytes Group's intellectual property may be time consuming, result in costly litigation and divert the attention of Senior Management from running the Bytes Group's business, any of which may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

1.15 *The Bytes Group's insurance coverage may not be adequate to cover all possible losses that it could suffer and its insurance costs may increase*

The Bytes Group maintains insurance coverage which the Directors believe is appropriate for the scope of its business. Although the Bytes Group carries insurance for its freehold property, its leased properties and business interruption, as well as professional indemnity insurance and directors' and officers' liability insurance, its insurance policies do not cover all types of losses and liabilities (such as key employee insurance in respect of Senior Management) and are subject to limits and excesses. In particular, certain agreements between the Bytes Group and its customers and vendor partners include indemnities and unlimited or high liability caps, particularly where there has been a breach of data protection requirements or intellectual property rights (see paragraph 1.14 of this Part 1, "*The Bytes Group may be unable to protect its intellectual property adequately, and may be subject to intellectual property infringement claims*").

There can be no assurance that the Bytes Group's insurance will be sufficient to cover the full extent of any losses or liabilities it may incur and there can be no guarantee that the Bytes Group will be able to renew its current insurance policies on favourable terms, or at all. Were the Bytes Group's insurance coverage to be inadequate to cover actual losses or its insurance costs to increase significantly, it may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

2 Risks relating to the UK IT market

2.1 *A reduction by vendors in the use of, or demand for, intermediaries between vendors and end-users in the UK IT market could have a material adverse impact on the Bytes Group's business and profitability*

In the UK, IT infrastructure and services are provided by a fragmented group of IT infrastructure and service providers, including IT vendors, distributors, retailers, resellers and professional service companies. The vendors of IT products are able to sell their products (i) directly to end-users, (ii) indirectly through distributors or resellers (including VARs such as the Bytes Group), or (iii) directly to original equipment manufacturers for installation in (in the case of hardware) or on (in the case of software) devices.

IDC estimates that approximately 63 per cent. of UK IT spending goes through the indirect IT channel, including VARs such as the Bytes Group, with the remaining approximately 37 per cent. involving direct sales[1]. Vendor partners have the potential to benefit from local scale and efficiencies by selling IT products through distributors and resellers, which also typically have a lower credit risk than end-users. Accordingly, distributors and resellers generally obtain preferential commercial terms, such as rebates and higher discounts, compared to end-users of IT products. However, vendors within the UK IT market could potentially, over time, reduce their reliance on, and use of, distributors and resellers in the United Kingdom.

Whilst the Directors believe that VARs such as the Bytes Group would be better positioned than resale only intermediaries to respond to a reduction in the use of, or demand for, intermediaries, there is no guarantee that VARs would be able to sufficiently differentiate themselves from other intermediaries based on the provision of additional services, or that the Bytes Group would be able to retain its market share within the VAR segment of the UK IT market (see paragraph 2.2 of this Part 1, "*Competition in the UK IT market, or the commoditisation of IT products, may result in the Bytes Group being unable to win or maintain market share and have a material adverse impact on the Bytes Group's business and profitability*").

Further, any reduction in the use of, or demand for, intermediaries in the UK could adversely impact the preferential commercial terms extended to the Bytes Group by its vendor partners, and in turn have an adverse impact on the Bytes Group's profitability. In particular, vendor partners could stop offering incentives to the Bytes Group, reduce the level of available incentives or change the eligibility requirements for such incentives (see paragraph 1.3 of this Part 1, "*Incentive income received from the Bytes Group's vendor partners and their distributors, which partially offsets its costs of sales, may be significantly reduced or eliminated*").

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[1] *Source: IDC estimates, August 2020. Indirect Channel consists of VARs, distributors and other resellers*

In addition, if a broader trend towards disintermediation in the UK IT market were to develop, in particular among Microsoft and the Bytes Group's other top ten vendor partners, the Bytes Group's gross profit may be reduced significantly (see paragraph 1.1 of this Part 1, "*The Bytes Group depends on the sustainability of its relationships with key vendor partners and their distributors, particularly its relationship with Microsoft*"). In FY20, 96.2 per cent. of the Bytes Group's gross invoiced income was derived from the resale of hardware and software products. Accordingly, a reduction in the market for VARs like the Bytes Group could have a material adverse effect on its business, results of operations and financial condition.

2.2 ***Competition in the UK IT market, or the commoditisation of IT products, may result in the Bytes Group being unable to win or maintain market share and have a material adverse impact on the Bytes Group's business and profitability***

The UK IT market is highly fragmented and continually changing. A substantial number of IT infrastructure and service providers offer products and services in the UK that overlap and compete with the Bytes Group's product and service offering. Such competitors include a large number and wide variety of UK and international IT infrastructure and service providers, including VARs. Further, new competitors may enter and disrupt the UK IT market and gain market share at the Bytes Group's expense, including overseas providers which may enter the UK market with existing expertise and established relationships with the Bytes Group's vendors. Such competitors may be larger and/or more agile than the Bytes Group.

The Bytes Group's current and potential competitors may be able to offer the same or new products and services at lower prices, which may result in the Bytes Group losing business to them if it is not able to appropriately mitigate pricing pressure by adding value through customer service. In particular, Microsoft introduced its Cloud Solution Provider programme ("**CSP**") in 2015, which significantly reduced the barriers to entry for the resale of Microsoft products by allowing a wide range of potential new entrants to partner directly with Microsoft to access training, practice-building guidance, and sales and marketing resources. Whilst the Directors believe that the Microsoft CSP has not materially impacted the Bytes Group's market share with respect to Microsoft products, the introduction of similar initiatives in the future has the potential to materially increase competition amongst UK resellers. The impact of any such initiative could be particularly material if it were introduced by one or more of the Bytes Group's key vendor partners (see paragraph 1.1 of this Part 1, "*The Bytes Group depends on the sustainability of its relationships with key vendor partners and their distributors, particularly its relationship with Microsoft*").

The Bytes Group's current and potential competitors may also be able to provide a better customer service offering, which could result in the Bytes Group losing customers and market share to them, particularly if the Bytes Group were unable to attract and recruit talented sales staff (see paragraph 1.4 of this Part 1, *"The success of the Bytes Group's business and the implementation of its growth strategy depends on its ability to attract, recruit and retain a talented sales team"*). The Bytes Group's competitors may also be able to respond more quickly to new or emerging technologies and changes in customer demands or devote greater resources to the development, promotion and sales of their products and services than the Bytes Group may be able to.

As new IT products are introduced to the market, such products may be easier for customers to set up or maintain themselves, which may reduce the demand for product-related services provided by VARs (such as the Bytes Group). As a result, such IT products may become commoditised, which may make it easier for competitors to resell the same products, including at lower prices, and force the Bytes Group to focus on alternative offerings in respect of which it is able to more effectively add value through providing product-related services.

In addition, some of the Bytes Group's current and potential competitors have established, or may establish, financial and strategic relationships among themselves, with existing or potential customers and vendor partners or with other third parties, to increase their ability to address customer needs. For example, overseas competitors may leverage their international offering to develop a broader strategic relationship with the Bytes Group's customers across multiple jurisdictions, including the UK. Further, it is possible that new competitors or alliances among the Bytes Group's competitors could emerge and acquire market share from the Bytes Group.

If the Bytes Group is unable to compete effectively as a consequence of any of the above factors it could lose market share to competitors, or negatively impact the Bytes Group's ability to maintain customers or grow the Bytes Group's share of customer wallet, which in turn could negatively impact the Bytes Group's gross profit (see paragraph 1.8 of this Part 1, "*The Bytes Group may be unable to maintain customer relationships or grow customer spend*"). Accordingly, if the Bytes Group is unable to compete effectively it may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

2.3 ***Economic deterioration, including as a consequence of the COVID-19 pandemic, could give rise to a diminution, or delay in customer IT expenditure, which could have a material adverse effect on the Bytes Group***

The COVID-19 pandemic has caused widespread disruption to normal business activity, including the imposition of restrictions on movement and social distancing measures in the UK and elsewhere. In the UK, GDP contracted by 20.4 per cent. between April and June 2020, which was generally attributable to the COVID-19 pandemic. The effects of the COVID-19 pandemic have already had a significant adverse impact on many of the Bytes Group's customers (particularly those in the retail and hospitality sectors), with many customers experiencing significant operational disruption (including in some cases temporary closure), severely depressed financial performance and increased risk of insolvency.

A prolonged slowdown in the UK economy or tightening of credit markets, whether as a result of the COVID-19 pandemic, or any other reason, could cause the Bytes Group's customers (and potential customers) to delay or forgo upgrading or expanding their existing IT infrastructure, obtaining licensing for new software or purchasing products or services (particularly with respect to discretionary spending for IT infrastructure and services) or to reduce their IT budgets. Economic or industry downturns may also result in longer payment cycles, increased collection costs and defaults in excess of the Bytes Group's expectations, particularly due to customer insolvency. If any of the above circumstances were to arise, it could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

The Directors believe that any contraction in the UK IT market is likely to disproportionately impact the corporate sector (given that recent changes to government spending policies have generally resulted in public sector customers retaining or increasing their overall IT expenditure). To the extent that government spending continues to support IT expenditure by public sector customers, other providers of IT products and services may increase their focus on the public sector and the Bytes Group may experience increased competition in respect of such customers. However, given the effects of the COVID-19 pandemic and its ongoing nature, there is no guarantee that current levels of public sector spending or budget priorities will continue. In the event that the Bytes Group experiences greater competition in respect of its customers, or the government implements policies which result in public sector customers reducing their overall IT expenditure, it could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

2.4 ***The Bytes Group may be unable to adapt to changing customer demands and preferences in the UK IT market, and products and services that it is unable to offer on a competitive basis or at all may be widely adopted in substitution for the products and services that the Bytes Group offers***

The Bytes Group operates in an industry which is subject to continuous and fast-paced technological change and innovation, with new products and services being introduced to the market frequently and existing products and services becoming outdated or obsolete at an increasing rate. Therefore, the Bytes Group's success depends, in part, on its ability to maintain its offering in line with changing customer demands and preferences for IT products and services. The Bytes Group may be required to invest significant time and resources to maintain the necessary expertise, experience and vendor partner relationships to effectively sell and deliver new products and services to its customers. To the extent that customers focus on new products and services, customer demand for on-going upgrading and refreshing of existing IT infrastructure may decline significantly, which may result in a reduction in the Bytes Group's revenue. Failure to adapt in response to changes in customer demand and preferences may limit the Bytes Group's ability to serve its customers effectively and limit its ability to grow, which may have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

The Bytes Group may also be unable to offer new or existing IT products and services to its customers because they are not available for resale through the existing distribution network in which the Bytes Group operates. For example, certain IT vendors sell specific products only directly to certain customer segments, particularly Enterprise Customers. Additionally, whilst some of the Bytes Group's vendor partners may sell their products both directly and through their existing distribution network, they may limit the availability of, or cease providing some existing products through the existing distribution network. If the Bytes Group were unable to resell the products of Microsoft, or its other top ten vendor partners, this could have a material adverse impact on the Bytes Group's business, results of operations and financial condition given the Bytes Group's dependence on its key vendor partners (see paragraph 1.1 of this Part 1, "*The Bytes Group depends on the sustainability of its relationships with key vendor partners and their distributors, particularly its relationship with Microsoft*").

Further, new IT products or services may also be made available only outside of the existing distribution network, resulting in the Bytes Group being unable to offer them to its customers. In particular, new technologies, such as cloud-based solutions, may be made available solely through an application downloaded by an end-user and paid for directly to the vendor. If products and services offered outside of the existing distribution network become more widely-adopted in substitution for the products and services that the Bytes Group offers, it may adversely affect the Bytes Group’s revenue, profitability and competitiveness, which may have a material adverse effect on the Bytes Group’s business, results of operations and financial condition.

2.5 ***An increased demand for the provision of additional IT services may result in increased overheads and a reduction in the Bytes Group's profit margin***

The Bytes Group's overheads, and operating profit, are materially impacted by changes in both headcount and salary levels, and in FY20, 82.8 per cent. of Bytes Group's total administrative expenses were attributable to staff costs (FY19: 81.3 per cent.). In FY20, base salary represented 56.3 per cent. of the Bytes Group's total staff costs, with commissions representing 31.4 per cent. (FY19: 56.6 per cent. and 31.1 per cent., respectively).

As a result of changes in customer preferences or additional competitive pressure, VARs (such as the Bytes Group) could face increasing pressure to provide additional services with respect to the resale of software and in order to respond to such trends, the Bytes Group could be required to invest above its current expectations in the recruitment, retention and training of staff to provide such services.

If the Bytes Group were unable to offset such costs by identifying and converting additional sales opportunities, or were unable to provide such services at prices that would maintain its profit margins (despite the increased costs and headcount), any such increase in staff overheads could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

2.6 ***Uncertainty as to the UK's future relationship with the EU following the UK's withdrawal from the EU could have a material adverse effect on the Bytes Group***

On 31 January 2020, the UK formally withdrew from the EU and entered into a transition period scheduled to end on 31 December 2020, during which period the trading relationship between the UK and the EU will remain the same and the UK will continue to follow the EU’s rules and regulations. Negotiations are ongoing to determine the future terms of the UK’s relationship with the EU, including the details of any UK-EU trade deal. The lack of clarity regarding the UK's future relationship with the EU has subjected, and will continue to subject, the Bytes Group and its customers to a significant period of economic and regulatory uncertainty. This uncertainty has been exacerbated by the COVID-19 pandemic, which has become the primary focus of the UK government, the EU and national governments of EU member states.

Such uncertainty could cause the Bytes Group's customers (and potential customers) to delay or forgo upgrading or expanding their existing IT infrastructure, obtaining licensing for new software or purchasing products or services (particularly with respect to discretionary spending for IT infrastructure and services) or to reduce their IT budgets. Furthermore, this uncertainty has caused significant volatility in foreign exchange rates involving pounds sterling. A significant deterioration in Pounds Sterling against foreign currencies, particularly the Euro, could also result in the Bytes Group becoming less competitive in relation to international competitors. In FY20, approximately 5.5 per cent. of the Bytes Group's revenue was derived from transactions undertaken outside the United Kingdom. As a result of any of the foregoing, the UK’s departure from the EU could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

3 **Legal and regulatory risks**

3.1 ***Breaches in the security of electronic and other confidential information collected, processed, stored and transmitted by the Bytes Group may give rise to significant liabilities and reputational damage***

The Bytes Group collects, processes, stores and transmits proprietary information and sensitive or confidential data, including personal information of employees as well as bank details of customers. In addition, the Bytes Group offers co-location of its customers’ data on the Bytes Group's IT infrastructure and may store and transmit both business-critical data and confidential information on behalf of such customers. In connection with the Bytes Group's services business, employees also have access to customers’ confidential data and other information.

The Bytes Group has privacy and data security policies and procedures in place that are designed to prevent security breaches; however, a third party or a rogue employee or employees may be able to bypass the Bytes Group's network security or otherwise compromise customers' or employees' confidential information. Employees may seek to copy customer data or other commercially sensitive information prior to leaving the Bytes Group for use in a competing business, which may result in a loss of business by the Bytes Group or adversely impact the Bytes Group's relationship with vendor partners.

In addition, as newer technologies evolve, the Bytes Group may be exposed to increased risk of breaches in security. Breaches in security could expose the Bytes Group, its customers, vendor partners, employees or other individuals to a risk of public disclosure, loss or misuse of this information. As a result, the Bytes Group could be exposed to legal claims, liability or regulatory penalties under laws protecting the privacy of personal information, as well as the loss of existing or potential customers or vendor partners, and damage to the Bytes Group's brand and reputation.

The potential financial penalties for any such breaches have been significantly increased since the introduction of the EU General Data Protection Regulation ("**GDPR**") in 2018. Further, certain of the Bytes Group's agreements include indemnities and unlimited or high liability caps in relation to a breach of confidentiality or data protection provisions. Any such breaches, and the resulting costs and consequences, could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

3.2 ***The Bytes Group may incur additional costs in implementing and complying with new regulations, or any changes to existing regulations, such as the GDPR***

The introduction of new regulations, or changes to existing regulations, could make it more expensive for the Bytes Group to conduct its business, require that the Bytes Group change the way in which it operates or require that the Bytes Group implement time-consuming and costly measures. The reputational and financial penalties associated with any breach of such regulations could also be significant.

For example, the GDPR, which was introduced in May 2018, has not only increased the regulatory burden on the Bytes Group in processing personal information of employees, customers and vendor partners, it has also increased the potential sanctions for breaches. The GDPR includes significant financial penalties of up to four per cent. of the annual worldwide turnover of the Bytes Group. Whilst the Bytes Group has implemented policies designed to comply with the GDPR (with such policies being subject to regular review), there can be no assurance that regulators will conclude that the Bytes Group is fully compliant with its obligations under the GDPR, and therefore in the event of any breach, the Bytes Group could be subject to regulatory action or financial penalties, which could also result in adverse publicity and reputational damage.

If the Bytes Group is unable to effectively implement measures required as a result of new regulations or changes to existing regulations, or ensure compliance by the Bytes Group with applicable regulatory requirements, it could be subject to fines, penalties and reputational damage which could have a material adverse effect on its business, operating results and financial condition.

3.3 ***The actions of the Bytes Group's employees or other parties, including the failure of employees to comply with policies of the Bytes Group, or its customers, vendor partners and distributors, or with applicable regulations, may damage the Bytes Group's reputation and result in the loss of vendor partner, distributor or customer relationships***

The Bytes Group may be unable to prevent its employees or other parties from engaging in misconduct, fraud or other improper activities that could adversely affect the Bytes Group's business and reputation. Misconduct may include the failure of employees or third-party service providers to comply with the Bytes Group's, vendor partners', distributors' or customers' policies and procedures, as well as with applicable legislation and regulation. Whilst the Bytes Group takes various steps to prevent and detect such activity (including through regular training), there is no guarantee that such precautions will be effective, particularly given the potential for reduced visibility of employee conduct as a result of the increase in remote-working during the COVID-19 pandemic. As a result of employee misconduct, the Bytes Group may face fines and penalties, reputational damage and loss of vendor partner, distributor or customer relationships.

Failure to comply with policies and procedures of public sector customers, including procurement regulations, regulations regarding the protection of classified information and legislation regarding the pricing of labour and other costs in government contracts may also result in the Bytes Group's suspension from contracting with public sector organisations, particularly where such failures result in a breach of the terms of any public sector framework agreements (see paragraph 1.2 of this Part 1 *"The failure to* *meet certain performance requirements, including the loss of vendor accreditations by the Bytes Group, could result in it being unable to join new framework agreements, or result in the termination of existing framework agreements, either of which could negatively affect the Bytes Group's ability to do business with public sector customers"*).

The Bytes Group could also face reputational damage from actions or statements of employees, third-party service providers, current or former customers, competitors, vendor partners, distributors and members of the investment community or media. Damage to the Bytes Group's reputation could be difficult, costly and time-consuming to repair.

If the Bytes Group were to face fines, legal proceedings, penalties or reputational damage, or the Bytes Group's customers were to cancel or fail to renew their contracts, or the Bytes Group were unable to pursue certain business as a result of misconduct by employees or other parties, it could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

3.4 ***The Bytes Group is exposed to risks from compliance audits and potential litigation, including with its customers and key vendor partners***

The Bytes Group may be subject to audits by key customers as well as by various vendor partners (e.g. Microsoft). These audits may reveal non-compliance with the terms and conditions of framework agreements with public sector organisations and/or reseller arrangements with the Bytes Group's vendor partners. Any such non-compliance could result in a deterioration of relationships with key customers or vendor partners, the termination or limitation of the Bytes Group's right to resell some or all products, or a change to the terms and conditions under which it is able to do so (see paragraph 1.2 of this Part 1 *"The failure to meet certain performance requirements, including the loss of vendor accreditations by the Bytes Group, could result in it being unable to join new framework agreements, or result in the termination of existing framework agreements, either of which could negatively affect the Bytes Group's ability to do business with public sector customers"*).

In the event of any non-compliance, certain of the Bytes Group's agreements with its customers and vendor partners include indemnities, and unlimited or high liability caps where there has been a breach of data protection requirements or intellectual property rights. Such agreements may be governed by foreign law and provide that the Bytes Group may be subject to the jurisdiction of foreign courts.

The Bytes Group may also be party to various legal proceedings that arise in the ordinary course of its business (including proceedings that arise as a result of adverse compliance audits or cyber-security breaches).

Whilst the Bytes Group is not currently engaged in any material litigation, were any litigation, governmental proceedings, audits or indemnification claims to arise in the future, the Bytes Group could incur substantial costs and expenses and the attention of members of Senior Management could be significantly diverted (regardless of the outcome). In addition, future litigation, governmental proceedings, audits or indemnification claims could lead to increased costs or interruptions of the Bytes Group's normal business operations. Litigation, governmental proceedings, audits or indemnification claims involve uncertainties and the eventual outcome of any litigation, governmental proceeding, audit or indemnification claim may have a material adverse effect on the Bytes Group's business, operating results and financial condition.

4 **Risks relating to the Demerger**

4.1 ***As a result of the Demerger, the implementation of the Bytes Group's strategy is subject to further implementation risks, including a deterioration of the Bytes Group's culture and changes in client perceptions***

The Bytes Group's ability to implement its strategy successfully is subject to certain execution risks, including those relating to maintaining existing and establishing new customer relationships, management of its cost base and limitations in its management or operational capacity, as well as the effectiveness of new reporting lines, internal control procedures and management structures following Admission and completion of the Demerger.

The Demerger could change customers' perception of the Bytes Group and adversely affect its ability to attract and retain customers, which could result in reduced sales. The Demerger may also prompt some third parties to reprice, modify or terminate their distribution or other relationships with the Bytes Group. As a consequence, the Bytes Group could be required to lower the prices of its products, change terms and conditions with key vendor partners or take other action to maintain its relationships with its customers and key vendor partners.

Further, any dilution or deterioration of the Bytes Group's culture associated with the Demerger may impact its ability to attract or retain talent (see paragraph 1.4 of this Part 1 *"The success of the Bytes Group's business and the implementation of its growth strategy depends on its ability to attract, recruit and retain a talented sales team"*). Should any of the consequences set out above occur, individually or in combination with others, they could have a material adverse effect on the Bytes Group's business, results of operations and financial condition.

4.2 ***Following the Demerger, the Bytes Group will be an independent company and is therefore putting in place certain standalone operational arrangements which could cause it to experience operational difficulties and/or additional costs***

Following the Demerger, the Bytes Group will operate as an independent company, separate from the Altron Group. In preparation for the Demerger, the Bytes Group is therefore putting in place standalone arrangements in a wide range of areas, including capital and liquidity management, finance and investor relations, which it either did not previously require or where it previously relied on support and services from the Altron Group. As a newly independent company following the Demerger there is a risk that the Bytes Group could experience operational difficulties and that operating as an independent group may reduce the Bytes Group's flexibility to deal with unexpected events and require additional resources. In addition, there is a risk that the actual costs of the standalone arrangements could be higher than expected and/or that the Bytes Group will need to further invest in the standalone services and functions it is establishing. These risks, individually or together, could have a material adverse effect on the Bytes Group's business, results of operation and financial condition.

4.3 ***Following the Demerger, the Bytes Group will incur additional costs as a newly public company and Senior Management may be required to devote substantial time to new compliance matters***

As a newly public company following the Demerger, the Company will incur significant legal, accounting and other expenses, including the costs of recruiting and retaining non-executive directors and costs resulting from complying with public company reporting obligations and the rules and regulations regarding corporate governance practices, including the admission and listing requirements of the FCA, the London Stock Exchange and JSE. Senior Management and other employees of the Bytes Group will need to devote a substantial amount of time to ensure that the Bytes Group complies with all of these requirements.

The reporting requirements, rules and regulations will increase the Bytes Group's legal and financial compliance costs and make some activities more time-consuming and costly. These rules and regulations will make it more expensive for the Bytes Group to obtain directors' and officers' liability insurance and the Bytes Group may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These factors could also make it more difficult for the Company to attract and retain qualified persons to serve on the Board, particularly to serve on the audit and remuneration committees, or as executive officers. Any failure by the Bytes Group to effectively manage these additional obligations could have a material adverse effect on its business, results of operations and financial condition.

5 **Risks relating to the Offer and the Shares**

5.1 ***There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained***

Prior to Admission, there has been no public trading market for the Shares. Although the Shares are expected to be listed on the Main Market and, by way of a secondary inward listing, on the Main Board of the JSE, the Bytes Group can give no assurance that an active trading market for the Shares will develop or, if developed, that it will be sustained. If an active trading market is not developed or sustained, the liquidity and trading price of the Shares could be adversely affected.

The trading price of the Shares may be subject to wide fluctuations in response to many factors, including short-term selling pressures, equity market fluctuations, general economic conditions and regulatory changes which may adversely affect the market price of the Shares, regardless of the Company's actual performance or conditions in its key markets.

The Offer Price will be determined by the Company in consultation with Numis and Altron, taking into account a number of factors which may not be indicative of the future performance or the market price of the Shares after Admission.

The Offer Price may be higher than the maximum price in the indicative price range in respect of the Offer and the market price of the Shares may fall below the Offer Price. The market price of the Shares may also fluctuate substantially due to various factors, some of which may be specific to the Company and/or the UK IT market, and some of which may be related to the equity markets in general. The Company cannot guarantee that investors will be able to sell their Shares at or above the Offer Price, or at all.

If an active and liquid trading market does not develop or is not sustained, the liquidity and trading price of the Shares could be materially and adversely affected, and investors and shareholders may have difficulty selling their Shares.

5.2 ***The market price of the Shares may be volatile and is subject to fluctuations, including significant decreases, due to flowback.***

The market price of the Shares could be volatile and subject to significant fluctuations due to a variety of factors, some of which do not relate to the financial performance of the Bytes Group. These include changes in general market conditions, the general performance of the exchanges on which the Shares are listed and traded, changes in sentiment in the market regarding the Shares (or securities similar to them), potential or actual sales of Shares in the market by Shareholders either voluntarily or in forced transactions as a result of restrictions on the types of securities they can hold in their portfolios, regulatory changes affecting the Bytes Group's operations, variations in the Bytes Group's operating results, business developments for the Bytes Group or its competitors, the operating and share price performance of other companies in the industries and markets in which the Bytes Group operates, exchange rate fluctuations, perceptions of economic and political risk or speculation about the Bytes Group's business in the press, media or the investment community. The sale of shares in such circumstances is commonly known as "flowback".

The price and liquidity of the Shares may also vary between the exchanges on which they are listed, including as a result of differences in the rates of applicable transfer taxes. Furthermore, the Bytes Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events or others could result in a decline in the market price of the Shares. Investors may not be able to sell their Shares at or above the Offer Price and shareholders may earn a negative or no return on their investment in the Company.

5.3 ***There is no guarantee that the Company will pay dividends***

The Company's ability to pay dividends (including any special dividends) in the future is affected by a number of factors, principally the Bytes Group's financial performance and solvency position, and is therefore not guaranteed. As a matter of English law, the Company can pay dividends only to the extent that it has sufficient distributable reserves available, which, as the Company is a holding company, depends upon it receiving cash from its operating subsidiaries in a manner which creates distributable reserves or, in certain cases, the creation of distributable reserves by other means. In addition, the Company may not pay dividends if the Directors believe this would cause the Bytes Group to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Bytes Group. Any change in the tax treatment of dividends or interest received by the Bytes Group may reduce the amounts available for dividends to Shareholders. The payment of dividends is therefore at the discretion of the Directors and will be subject to, among other things, applicable law, regulations, restrictions in the Bytes Group's financing arrangements, financial position, working capital requirements, finance costs, general economic conditions and other factors that the Directors deem significant from time to time.

Any growth in dividends on the Shares will rely on underlying growth in the Bytes Group's businesses and the dividend policy described in this Prospectus should not be construed as a dividend forecast.

5.4 ***Future sales or issuances of Shares or the perception that such sales or issurances could occur may depress the price of the Shares***

Other than in connection with Admission, the Bytes Group has no current plans for an offering of new Shares. The Company has agreed to refrain from issuing any new Shares for a period of 180 days following Admission. It is possible that the Company may decide to offer additional Shares in the future following the expiry of the lock-up restriction. Future offerings of new Shares could, if Shareholders do not take up any offer or are not eligible to participate, dilute the holdings of existing Shareholders. Future issuances of Shares or the perception that such issuances could occur or significant sales of Shares by major Shareholders, adversely affect the prevailing market price of the Shares and impair the Bytes Group's ability to raise capital through further sales of equity securities.

5.5 ***The issuance of additional Shares in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.***

The Company may seek to raise financing to fund future acquisitions and other growth opportunities, invest in its business or for general corporate purposes. The Company may, for these and other purposes, such as in connection with share incentive and share option plans, issue additional Shares or securities convertible into Shares. If the Company issues additional Shares, the Company's existing Shareholders may suffer dilution in their percentage ownership and the price of the Shares may be adversely affected.

5.6 ***Changes in taxation legislation or the interpretation of tax legislation could affect the Bytes Group's ability to provide returns to Shareholders***

Any change in taxation legislation or the interpretation of taxation legislation could affect the Bytes Group's ability to provide returns to Shareholders. Statements in this Prospectus concerning the taxation of investors in the Shares are based on current tax law and practice in the UK, the United States and South Africa, which are subject to change. The taxation of an investment in the Bytes Group depends on the individual circumstances of the relevant investor.

5.7 ***Shareholders may have difficulty in effecting service of process on the Bytes Group or the Directors in the US, in enforcing US judgments in the UK or in enforcing US securities laws in UK courts***

All of the Directors are residents of countries other than the United States. The Bytes Group is incorporated outside the United States and its assets are located outside the United States. As a result, it may not be possible for Shareholders to effect service of process within the United States upon the Directors or on the Bytes Group, or to obtain discovery of relevant documents and/or the testimony of witnesses. Shareholders based in the United States may have difficulties enforcing in courts outside the United States judgments obtained in US courts against some of the Directors or the Bytes Group (including actions under the civil liability provisions of the US securities laws). Shareholders may also have difficulty enforcing liabilities under the US securities laws in legal actions originally brought in jurisdictions located outside the United States.

5.8 ***An investment in Shares by an investor whose principal currency is not UK pounds sterling may be affected by exchange rate fluctuations***

The Shares are, and any dividends to be paid in respect of them will be, denominated in UK pounds sterling. An investment in Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of sterling in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in relation to such foreign currency.

5.9 ***Shareholders in the United States, South Africa and other jurisdictions outside the United Kingdom may not be able to participate in future equity offerings***

The Articles provide for pre-emptive rights to be granted to Shareholders on future equity offerings, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions outside the United Kingdom, including in the United States and South Africa, may restrict the Bytes Group's ability to allow participation by Shareholders located in such jurisdictions in future equity offerings. In particular, Shareholders in the United States may not be entitled to exercise their pre-emption rights unless such an offering is registered under the US Securities Act or made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The holdings of Shareholders located outside the United Kingdom who are not able to participate in any future equity offerings could be diluted by any such offerings.

5.10 ***Exchange control regulation in South Africa may affect South African resident investors***

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which such exchange controls may be further relaxed by the South African Government cannot be predicted with certainty, although it has committed itself to a gradual approach of relaxing exchange controls. Further relaxation or abolition of exchange controls may change the capital flows to, and from, South Africa. FinSurv has approved the Offer and the listing of the Shares by way of a secondary inward listing on the Main Board of the exchange operated by the JSE, and classified the Shares and trading as “domestic” for exchange control purposes. Accordingly, South African resident investors may trade the Shares on the exchange operated by the JSE without having recourse to their foreign portfolio allowances. If there is a change in applicable laws and regulations and, in particular, exchange control policy and regulation, there is no guarantee that South African resident investors will be able to do so in future.

5.11 ***Payment of dividends to South African Shareholders must comply with the Exchange Controls Regulations***

In terms of the inward listing approval by FinSurv in relation to the secondary listing of the Shares on the Main Board of the JSE, all dividends and any other distributions declared and paid by the Company to South African shareholders are required to be remitted by the Company to a specially designated account in South Africa and paid to South African shareholders in Rand, at the then prevailing exchange rate. Any requests to issue Shares or other securities to South African shareholders in lieu of a cash dividend will be subject to the prior approval of FinSurv, and if such prior approval is not obtained by the Company, South African shareholders may not be entitled to participate in any such issue of Shares or other securities.

PART 2 - PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless the context requires otherwise, in this Prospectus references to the "Company" are to Bytes Technology Group plc, while the "Bytes Group" refers to Bytes UK and its subsidiaries and subsidiary undertakings or, in the event of and following the Demerger, to the Company and its subsidiaries and subsidiary undertakings, including Bytes UK.

General

Investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors or Numis. No representation or warranty, express or implied, is made by Numis or any of its affiliates or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by Numis, any of its affiliates or any selling agent as to the past, present or future. Numis assumes no responsibility for its accuracy, completeness or verification and accordingly disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Prospectus or any such statement. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to FSMA, neither the delivery of this Prospectus nor any subscription of New Shares pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Bytes Group since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date.

The Company will update the information provided in this Prospectus by means of a supplement if a significant new factor that may affect the evaluation by prospective equity investors of the Offer occurs after the publication of this Prospectus or if this Prospectus contains any material mistake or substantial inaccuracy. This Prospectus and any supplement will be subject to approval by the FCA and the JSE and will be made public in accordance with the Prospectus Regulation Rules and the JSE Listings Requirements. If a supplement to this Prospectus is published prior to Admission, equity investors shall have the right to withdraw their applications for New Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offer, including the merits and risks involved.

Prior to making any decision as to whether to subscribe for the New Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved.

Investors who subscribe for New Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on Numis or any of its affiliates in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Bytes Group or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors or Numis.

None of the Company, the Directors or Numis or any of their respective affiliates or representatives is making any representation to any offeree, subscriber or purchaser of the Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offer, Numis and any of its affiliates, acting as investors for their own accounts, may subscribe for Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, Numis and any of its affiliates acting as investors for their own accounts. Numis does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Numis is acting exclusively for the Company and no one else in connection with the Offer. It will not regard any other person (whether or not a recipient of this Prospectus) as its customers in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to its customers or for giving advice in relation to the Offer or any transaction or arrangement referred to herein.

Numis and/or its affiliates have in the past engaged, and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or members of the Bytes Group or any parties related to any of them, in respect of which they have and may in the future, receive customary fees and commissions. As a result of these transactions, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors.

Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this Prospectus.

Presentation of financial information

Unless otherwise stated, the financial information in this Prospectus has been prepared in accordance with the Prospectus Regulation and International Financial Reporting Standards as adopted by the EU ("**IFRS**"). The significant IFRS accounting policies applied in the financial information of the Company are applied consistently in the financial information in this Prospectus.

Financial information

The Company was incorporated on 7 October 2020 and has no historical operations or financial information apart from its opening balance sheet as set out in Part 12 "Financial Information of the Company". Unless otherwise indicated, the financial information presented in this Prospectus has been extracted or derived from the historical financial information of Bytes UK and its subsidiary undertakings.

The Bytes Group's financial year runs from 1 March to the last day in February and the financial information presented in this Prospectus covers the years from 1 March 2017 to 28 February 2018, 1 March 2018 to 28 February 2019 and 1 March 2019 to 29 February 2020, and the six month periods from 1 March 2019 to 31 August 2019 and 1 March 2020 to 31 August 2020.

The financial information included in Part 11 "Financial Information of Bytes UK" is covered by the accountant's report included in Section A**,** which was prepared in accordance with standards for Investment Reporting issued by the Auditing Practice Board.

In addition, as prescribed by the JSE Listings Requirements and required for the purposes of JSE Admission, this Prospectus also contains unconsolidated financial information for the Company in Section C of Part 11 "Financial Information of Bytes UK".

None of the financial information used in this Prospectus has been prepared in accordance with US Generally Accepted Accounting Principles ("**US GAAP**") or audited in accordance with auditing standards generally accepted in the United States of America ("**US GAAS**") or auditing standards of the Public Company Accounting Oversight Board (United States) ("**PCAOB**"). US GAAS and the auditing standards of the PCAOB do not provide for the expression of an opinion on accounting standards which have not been finalised and are still subject to modification, as is the case with accounting standards as adopted for use in the EU and included in Part 11 "Financial Information of Bytes UK". Accordingly, it would not be possible to express any opinion on the "Financial Information of Bytes UK" in Part 11 under US GAAS or the auditing standards of the PCAOB. In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by US GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the financial information in Part 11 "Financial Information of Bytes UK" and the implications of differences between the auditing standards noted herein.

The financial information included in this Prospectus is not intended to comply with the US Securities and Exchange Commission reporting requirements. Compliance with such requirements would entail the modification, reformulation or exclusion of certain financial measures and changes to the presentation of certain other information. No reconciliation to US GAAP is provided in this Prospectus.

Non-IFRS Measures

The Bytes Group uses certain measures to assess the financial performance of its business. Certain of these measures are termed ''non-IFRS'' measures because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. These non-IFRS measures include:

- Gross invoiced income
- Adjusted operating profit
- Adjusted operating profit / gross profit
- Cash conversion rate

These non-IFRS financial measures are included in this Prospectus as they are used by management of the Bytes Group to monitor and report to the Board on the Bytes Group's financial position, performance and available operating liquidity. The Directors believe these measures reflect the underlying performance of the Bytes Group's business, enhance comparability from period to period and are consistent with how business performance is measured internally. Therefore, the Directors believe that these measures enhance prospective investors' understanding of the Bytes Group's underlying business performance and its current ability to fund ongoing operations.

However, these non-IFRS financial measures are not measures based on IFRS and prospective investors should not consider such items as an alternative to the historical financial information or other indicators of the Bytes Group's cash flow based on IFRS measures. For further detail on the calculation of these non-IFRS measures, including reconciliations of the measures to their nearest IFRS equivalents, see "*Key Performance Indicators"* in this Part 2 "Presentation of Financial and Other Information".

These non-IFRS financial measures are not measurements of operating performance under IFRS, and should not be considered a substitute for gross profit, profit before taxation, profit and total comprehensive income for the period, cash flows from operating activities or other income or cash flow statement data, or as measures of profitability or liquidity. These measures may not be indicative of the Bytes Group's historical operating results nor are they meant to be predictive of potential future results. Other companies may calculate such measures in a different way, and the Bytes Group's presentation may not be comparable to similarly entitled measures of other companies.

Key performance indicators

The Bytes Group presents certain key performance indicators ("**KPIs**") and operational data in this Prospectus. The Directors believe that such data is important to understanding the Bytes Group's performance from period to period and that such data facilitates comparison with the Bytes Group's peers. However, such data as presented in this Prospectus may not be comparable to similarly titled data presented by other companies in the Bytes Group's industry and the method of calculation may differ across the Bytes Group's industry. They are based on the Bytes Group's estimates and, apart from gross profit and adjusted operating profit, are not part of the Bytes Group's financial statements and have not been audited or otherwise reviewed by external auditors, consultants or experts.

The unaudited KPIs and operational information are derived from the following sources: (i) unaudited accounting records for the relevant accounting periods presented; (ii) internal financial reporting systems supporting the preparation of financial statements; and (iii) the Bytes Group's other business operating systems and records.

Each of the KPIs that the Bytes Group's management utilise to evaluate the performance of the Bytes Group's business is defined below:

- "Gross invoiced income" is a non-IFRS financial measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items. The Bytes Group will continue to report gross invoiced income as an alternative financial KPI. The Directors believe that gross invoiced income provides investors with a meaningful supplementary measure to evaluate the sales performance of the Bytes Group and provide a better understanding of the Bytes Group's business performance, working capital cycles and position.

  The table below sets out the reconciliation of gross invoiced income to revenue in the Bytes Group's consolidated statement of profit or loss:

	Year ended			Six months ended	
	28 February	**28 February**	**29 February**	**31 August**	**31 August**

	2018	2019	2020	2019	2020
			£'000		
Gross invoiced income	343,428	549,370	722,154	370,328	505,380
Income recognised as agent	(21,536)	(199,712)	(349,051)	(165,283)	(284,158)
Revenue	**321,892**	**349,658**	**373,103**	**205,045**	**221,222**

- "Gross profit" is defined as revenue less cost of sales and has been extracted from the Bytes Group's historical financial information in Part 11 "Financial Information of Bytes UK", where it appears in the Bytes Group's consolidated statement of profit or loss.
- "Gross profit growth" is calculated as the percentage of growth in gross profit from the previous financial period. The Directors believe that gross profit growth may provide prospective investors with a meaningful supplemental measure to evaluate the rate of the Bytes Group's year-on-year growth.
- "Adjusted operating profit" is a non-IFRS financial measure that excludes from operating profit the effects of significant items of income and expenditure which might have an impact on the quality of earnings, such as acquisition costs, which are attributable to an isolated, non-recurring event. Acquired intangible amortisation and share-based payment charges are also excluded. The Directors believe that adjusted operating profit may provide prospective investors with a meaningful supplemental measure to evaluate the Bytes Group's profitability and may also provide investors with a better picture of the Bytes Group's performance based on its day-to-day activities.

  The table below sets out the reconciliation of adjusted operating profit to operating profit in the Bytes Group's consolidated statement of profit or loss:

	Year ended			Six months ended	
	28 February 2018	**28 February 2019**	**29 February 2020**	**31 August 2019**	**31 August 2020**
			£'000		
Adjusted operating profit	11,480	20,643	31,725	16,687	20,489
Share-based payment charges	(144)	(338)	(271)	(120)	(154)
Acquired intangible amortisation	(671)	(1,610)	(1,610)	(805)	(805)
Acquisition costs	(427)	-	-	-	-
Operating profit	**10,238**	**18,695**	**29,844**	**15,762**	**19,530**

- "Adjusted operating profit / gross profit" is a non-IFRS financial measure that the Bytes Group defines as adjusted operating profit as a percentage of gross profit. The Directors believe that adjusted operating profit / gross profit may be a meaningful supplemental measure to evaluate the Bytes Group's operating efficiency and the Bytes Group uses this measure as part of the process to prepare and approve its annual budget.
- "Cash conversion rate" is a non-IFRS financial measure that the Bytes Group defines as cash generated from operations minus capital expenditure (together, "Free Cash Flow") divided by adjusted operating profit. The Directors believe that the cash conversion rate may provide prospective investors with an enhanced understanding of the Bytes Group's cash generation and is a useful measure for comparing the Bytes Group's liquidity in respect of its operations from period to period and evaluating the efficiency with which it converts underlying operating profit into cash. The Bytes Group may in future exclude the cash cost of non-recurring items from its cash conversion rate calculation, if it believes that

it would be materially distortive not to do so. No such adjustment has been made for the periods under review.

The table below sets out the reconciliation of cash conversion rate to operating profit in the Bytes Group's consolidated statement of profit or loss:

	Year ended			Six months ended	
	28 February 2018	**28 February 2019**	**29 February 2020**	**31 August 2019**	**31 August 2020**
			£'000		
Operating profit	**10,238**	**18,695**	**29,844**	**15,762**	**19,530**
Acquired intangible amortisation	671	1,610	1,610	805	805
Share-based payment charge	144	338	271	120	154
Acquisition costs	427	-	-	-	-
Adjusted operating profit	**11,480**	**20,643**	**31,725**	**16,687**	**20,489**
Cash generated from operations	**12,784**	**29,892**	**41,699**	**1,251**	**10,047**
Capital expenditure	(227)	(1,063)	(1,745)	(521)	(322)
Free cash flow	**12,557**	**28,829**	**39,954**	**730**	**9,725**
Cash Conversion Rate (Free cash flow) as % of adjusted operating profit	**109.4%**	**139.7%**	**125.9%**	**4.4%**	**47.5%**

- "Customers" is an operating metric that the Bytes Group calculates as the number of unique entities transacting greater than £100 in gross profit with the Bytes Group during the relevant financial period. The Directors view the size of the Bytes Group's customer base as an indicator of the Bytes Group's ability to execute its strategy and use this metric to evaluate the performance of the business and to prepare and approve its annual budget.
- “Average gross profit per customer” is an operating metric that the Bytes Group defines as total gross profit divided by customers. The Directors view average gross profit per customer as an indicator of profitability and use this metric to evaluate the performance of the business and to prepare and approve its annual budget.
- “Renewal rate” is an operating metric that the Bytes Group defines as gross profit from existing customers divided by total gross profit in the prior financial period. Existing customer is defined as a customer who has previously transacted with the Bytes Group. The Directors view renewal rate as an indicator of the Bytes Group's effectiveness in increasing its share of business with existing customers.

Operational data

The Bytes Group presents certain operational data in this Prospectus. Such data as presented in this Prospectus is unaudited and may not be comparable to similarly titled data presented by other companies in the Bytes Group's industry. The Directors believe that such data is important to understanding the Bytes Group's performance from period to period and that such data facilitates comparison with the Bytes Group's peers. This operational data is not intended to be a substitute for any IFRS measures of performance. The operational data is based on the Bytes Group's estimates, is not part of the Bytes Group's financial statements and has not been audited or otherwise reviewed by outside auditors, consultants or experts.

Unaudited operational information in relation to the Bytes Group is derived from the following sources: (i) unaudited accounting records for the relevant accounting periods and specified accounting framework presented; (ii) internal financial reporting systems supporting the preparation of financial statements; and (iii) the Bytes Group's other business operating systems and records.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the United Kingdom. The Bytes Group prepares its financial statements in pounds sterling. All references to "US dollars", "USD" or "US$" are to the lawful currency of the United States and all references to Rand or "R" are to the lawful currency of South Africa.

Rounding

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100 per cent.

Market, economic and industry data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Directors' estimates, using underlying data from independent third parties. The Bytes Group obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as third-party market research, publicly available information and industry publications, primarily from publications and data compiled by International Data Corporation ("**IDC**").

The IDC data used in this Prospectus in relation to the size and amount of spend in the UK information and communications technology market and the UK IT market, including its component parts (software, hardware and services) does not include consumer spend.

The Company confirms that this information and any other information extracted from third-party sources has been accurately reproduced and, so far as the Bytes Group is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render such reproduced information inaccurate or misleading.

Where third-party information has been used in this Prospectus, the source of such information has been identified. While the Directors believe the third-party information included herein to be reliable, the Company has not independently verified such third-party information.

Definitions

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 16 "Definitions".

Information not contained in this Prospectus

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Company. The delivery of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Prospectus or that the information contained herein is correct as at any time subsequent to its date.

Information regarding forward-looking statements

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Bytes Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "targets" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors or the Bytes Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Bytes Group and the industry in which it operates. In particular, the statements under the headings "Summary", "Risk Factors", "The Business" and "Operating and Financial Review" regarding the Bytes Group's strategy and other future events or prospects include forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Bytes Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors, the Company's advisers and Numis expressly disclaim any obligation or undertaking to update these forward-looking statements contained in this Prospectus to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Regulation Rules, the Listing Rules, the JSE Listings Requirements, the Disclosure Guidance and Transparency Rules of the FCA or the Market Abuse Regulation. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ from those indicated in or suggested by the forward-looking statements in this Prospectus before making an investment decision.

Exchange Control in South Africa

The Exchange Control Regulations provide for restrictions on exporting capital from South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland (the "**Common Monetary Area**"). Transactions between residents of the Common Monetary Area, on the one hand, including corporations, and persons whose normal place of residence, domicile or registration is outside of the Common Monetary Area ("**Non-residents**"), on the other hand, are subject to these Exchange Control Regulations.

Currency and shares are not freely transferable from South Africa to any jurisdiction outside the geographical borders of South Africa or jurisdictions outside of the Common Monetary Area. These transfers must comply with the Exchange Control Regulations as described below. The Exchange Control Regulations also regulate the acquisition by former residents and Non-residents of Shares.

Investors who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an investor to acquire and/or hold Shares. If investors are in any doubt regarding the application of the Exchange Control Regulations, they should consult their own professional advisers.

FinSurv has approved the secondary inward listing of Shares on the Main Board of the JSE, and classified the inward listed Shares as "domestic" for exchange control purposes.

Accordingly, South African resident investors may trade the Shares on the exchange operated by the JSE without having recourse to their foreign portfolio allowances. In line with the Exchange Control approval obtained from the FinSurv, the purchase of Shares and the trade in Shares subsequent to JSE Admission may only be done in terms of the Exchange Control Regulations. If there is a change in applicable laws and regulations and, in particular, exchange control policy and regulation, there is no guarantee that South African resident investors will be able to do so in future.

In terms of the approval by FinSurv of the secondary inward listing of the Shares on the Main Board of the JSE, all dividends and any other distributions declared and paid by the Company to South African resident Shareholders are required to be remitted by the Company to a specially designated account in South Africa and paid to South African shareholders in Rand, at the then prevailing exchange rate. Any requests to issue the Shares or other securities to South African Shareholders in lieu of a cash dividend will be subject to the prior approval of FinSurv, and if such prior approval is not obtained by the Company, South African Shareholders may not be entitled to participate in any such issue of the Shares or other securities.

Set out below is a summary of the exchange control conditions applicable to the purchase of Shares in the Offer in South Africa only. The exchange control conditions are derived from the permissions granted by the Treasury to Authorised Dealers in terms of Regulation 2(2) of the Exchange Control Regulations. This summary of the South African exchange control conditions is intended as a guide only and is therefore not comprehensive. If prospective investors are in any doubt they should consult an appropriate professional adviser.

South African private individuals

The purchase of New Shares in the Offer or the acquisition of Shares on the market by a South

African private individual after JSE Admission will not affect such person's foreign capital allowance under the Exchange Control Regulations. A South African private individual need not take any additional administrative actions and can instruct its broker to accept, buy and sell Shares on its behalf as it would with any other listed security on the exchange operated by the JSE. Such Shares are entered into the South African branch register and are Rand-denominated.

South African institutional investors and Authorised Dealers

South African retirement funds, long-term insurers, collective investment scheme management companies and asset managers who have registered with the FinSurv as institutional investors for Exchange Control purposes and Authorised Dealers may invest in inward listed shares without affecting their permissible foreign portfolio investment allowances or foreign exposure limits.

South African corporate entities, banks, trusts and partnerships

South African corporate entities, banks, trusts and partnerships may purchase New Shares in the Offer or acquire Shares on the JSE without restriction.

Non-residents of the Common Monetary Area

Non-residents of the Common Monetary Area may purchase New Shares in the Offer or acquire Shares on the JSE, provided that payment is received in foreign currency or Rand from a non-resident account held in the books of an Authorised Dealer in South Africa. All payments in respect of purchase of Shares listed on the JSE by non-residents must be made through an Authorised Dealer.

Share certificates issued in respect of Shares listed on the JSE purchased by non-residents will be endorsed "Non-resident" in accordance with the Excon Rules. Holders of dematerialised shares will have their statements endorsed "Non-resident" and their accounts at their CSDP or broker annotated accordingly.

Provided that the relevant share certificate is endorsed "Non-resident" or the relevant account of the Shareholder's CSDP or broker is annotated accordingly, there is no restriction on the payment to a non-resident Shareholder of cash dividends from the distributable profits of the Company in proportion to the Shareholder's percentage holding of Shares. Payment to non-resident Shareholders of other dividends and distributions (including special dividends, dividends in specie and capitalisation issues) require the consent of FinSurv.

Cash dividends and any proceeds from the sale of Shares listed on the JSE by non-resident Shareholders may be freely transferred out of South Africa, subject to being converted into a currency other than Rand or paid for the credit of a non-resident Rand account.

Emigrants from the Common Monetary Area

Former residents of the Common Monetary Area who have emigrated may use funds in their emigrant capital accounts to purchase New Shares in the Offer or acquire the Shares on the market. The Shares will be credited to their share accounts at the CSDP controlling their remaining portfolios. Shares subsequently re-materialised and issued in certificated form, will be endorsed "Non-Resident" and will be sent to the Authorised Dealer through whom the payment was made.

Member brokers of the JSE

South African brokers are now allowed, as a book-building exercise, to purchase Shares offshore and to transfer the Shares to the South African branch share register. This dispensation is confined to inward listed shares and brokers may warehouse such Shares for a maximum period of thirty days only.

Movement of Shares between registers

Shares are fully fungible and may be transferred between registers, subject to investors obtaining necessary exchange control approvals where necessary.

South African resident investors may only acquire Shares, via the JSE, that are already entered into the South African branch share register maintained by Computershare Investor Services Proprietary Ltd, the Company's transfer secretaries (the "**South African Transfer Secretaries**").

Member brokers of the JSE may acquire shares on foreign exchanges and transfer shares to the South African branch share register as described above.

Non-residents are not subject to Exchange Control Regulations and may freely transfer shares between branch registers.

Service of process and enforcement of civil liabilities

Many of the Directors are citizens of the United Kingdom (or other non-US jurisdictions). The Company is incorporated outside the United States and its assets are located outside the United States. As a result, it may not be possible for Shareholders to effect service of process within the United States upon the Directors or on the Company, or to obtain discovery of relevant documents and/or the testimony of witnesses. Shareholders based in the US may have difficulties enforcing in courts outside the United States judgments obtained in US courts against some of the Directors or the Company (including actions under the civil liability provisions of the US securities laws). In addition, an award or awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in the United Kingdom. Shareholders may also have difficulty enforcing liabilities under the US securities laws in legal actions originally brought in jurisdictions located outside the United States.

Website information

Copies of the documents set out in paragraph 27 of Part 15 "Additional Information - Documents available for inspection" will be displayed on the Company's website at www.bytesplc.com/investors/ipo-documents for a period of 12 months following the date of this Prospectus. For the avoidance of doubt, the contents of the Bytes Group's websites, including any hyperlinks to or from such websites, do not form part of this Prospectus.

PART 3 - DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS

Directors	Patrick De Smedt (Chairman) Neil Murphy (Chief Executive Officer) Keith Richardson (Chief Financial Officer) David Maw (Non-executive Director) Mike Phillips (Senior Independent Non-executive Director) Alison Vincent (Non-executive Director)
Company Secretary	Willem Karel Groenewald
Registered and head office of the Company	Bytes House Randalls Way Leatherhead Surrey KT22 7TW
Sole Sponsor, Financial Adviser, Sole Global Co-Ordinator and Sole Bookrunner	Numis Securities Limited London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
JSE Sponsor and Financial Advisor	Rand Merchant Bank, a division of FirstRand Bank Limited 1 Merchant Place Fredman Drive Johannesburg, 2196 South Africa
English and US legal advisers to the Company	Travers Smith LLP 10 Snow Hill London EC1A 2AL
South African legal advisers to the Company	DLA Piper Advisory Services Proprietary Limited 6th Floor, 61 Katherine Street Sandton Johannesburg, 2196 South Africa
English and US legal advisers to the Sole Sponsor, Financial Adviser, Sole Global Co-Ordinator and Sole Bookrunner	Ashurst LLP London Fruit & Wool Exchange 1 Duval Square London E1 6PW
South African legal advisers to Sole Sponsor, Financial Adviser, Sole Global Co-Ordinator and Sole Bookrunner	Edward Nathan Sonnenbergs Incorporated The MARC, Tower 1 129 Rivonia Road Sandton, 2196 (PO Box 783347) South Africa
Reporting Accountant	Ernst & Young LLP 1 More London Place

	London SE1 2AF
Independent Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Registrar	Computershare Investor Services plc The Pavillions Bridgwater Road Bristol BS13 8AE

PART 4 - EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS[1][2]

Publication of this Prospectus (Offer opens)	1 December 2020
Publication of the abridged Pre-Listing Statement announcement on SENS	1 December 2020
Latest time and date for receipt of indications of interest from investors in the Offer (Offer closes)	5.00 p.m. on 10 December 2020
Publication of the Pricing Statement containing the Offer Price[3]	on or about 11 December 2020
Commencement of conditional dealings on the London Stock Exchange[3][4]	8.00 a.m. on 11 December 2020
Completion of Demerger	8.00 a.m. on 17 December 2020
Admission and commencement of unconditional dealings in the Shares on the London Stock Exchange[5]	8.00 a.m. on 17 December 2020
Admission and commencement of dealings in the Shares on the JSE[5]	10.00 a.m. (Johannesburg time) on 17 December 2020
Crediting of Shares to CREST accounts	17 December 2020
Crediting of Shares to the Dematerialised South African Shareholders' accounts with their CSDP or Broker	17 December 2020
Despatch of definitive share certificates (where applicable)	Week commencing 28 December 2020

Notes:

(1) Times and dates set out in the timetable above are indicative only and subject to change without further notice. In particular, the dates and times of the announcement of the Offer Price and New Share Offer Size and commencement of unconditional dealings in Shares on the LSE and the JSE may be accelerated or extended by agreed between Numis and the Company.

(2) All times are London time, unless otherwise stated herein. The time in Johannesburg will be two hours ahead of London time.

(3) The Pricing Statement will not automatically be sent to persons who receive this Prospectus but it will be available free of charge at the registered office of the Company at Bytes House, Randalls Way, Leatherhead, Surrey, England , KT22 7TW. In addition, the Pricing Statement will be published (subject to certain restrictions) in electronic form and available on www.bytesplc.com. If (i) the Offer Price is set above the Price Range or the Price Range is revised higher; and/or (ii) the number of New Shares to be issued by the Company is set above or below the New Share Offer Size Range (subject to the minimum free float requirements of the FCA), then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Shares pursuant to Article 17 of the Prospectus Regulation. The arrangements for withdrawing offers to subscribe for or purchase Shares would be made clear in the announcement.

(4) It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.

(5) Settlement in connection with the Offer will be on a four-trading day (T+4) basis rather than the usual three-trading day (T+3) basis. As a result, investors trading on the first day of unconditional dealings will need to make alternative settlement arrangements with their counterparties.

OFFER STATISTICS[1]

Price Range per Share[2]	240.0p to 290.0p
Expected maximum number of New Shares in the Offer[3]	171,842,458
Expected minimum number of New Shares in the Offer[4][5]	111,297,716
Expected number of Shares in issue on Admission[4]	238,913,494
Expected minimum number of New Shares in the Offer as a percentage of number of Shares in issue on Admission[4]	46.6%
Expected gross proceeds of the Offer receivable by the Company[4]	£294.9 million
Expected market capitalisation range of the Company[6]	£573.9 million - £692.3 million

Notes:

(1) Offer statistics included in this section assume the Demerger has been completed in full.

(2) It is currently expected that the Offer Price will be within the Price Range. It is expected that the Pricing Statement containing the Offer Price and the number of New Shares which are comprised in the Offer will be published on or about 11 December 2020 and will be available (subject to certain restrictions) on the Company's website at www.bytesplc.com. If the Offer Price is set above the Price Range, then the Company will make an announcement via a Regulatory Information Service and prospective investors will have a statutory right to withdraw their application for Shares pursuant to Article 17 of the Prospectus Regulation.

(3) Assuming the Maximum Offer Size Assumptions and the Offer Price is set at the middle of the Price Range. The absolute maximum offering size is 230,756,765 New Shares assuming the Offer Price is set at the bottom of the price range and 100 per cent. of the Convertible Notes held by Altron Ordinary Shareholders are redeemed for cash.

(4) Assuming the Base Offer Size Assumptions and the Offer Price is set at the mid-point of the Price Range.

(5) If the demand from investors in the Offer is insufficient to meet the Default Ratio of 25 per cent. as to Redemption and 75 per cent. as to Conversion, then the Default Ratio will be adjusted accordingly, with an absolute minimum offering size of 59,064,035 New Shares assuming the Offer Price is set at the top of the Price Range.

(6) At the bottom and top of the Price Range per Share, respectively, and assuming the Base Offer Size Assumptions. The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will be equal to or exceed the Offer Price.

PART 5 - DETAILS OF THE DEMERGER

1 **Overview**

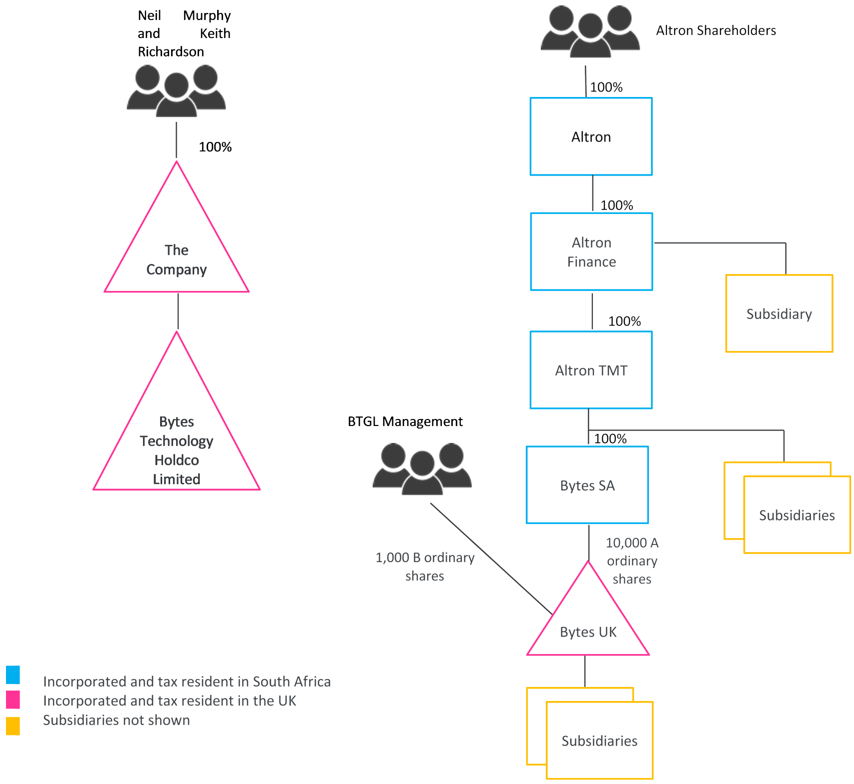
1.1 Altron announced on 2 April 2020 that as part of its FY20 strategic review the Altron Board had assessed each of the business units within Altron, to identify opportunities which have the potential to create value for Altron Shareholders. The Altron Board identified Bytes UK as not being ascribed fair value by the market. In order to unlock value for Altron Shareholders, the Altron Board resolved to apply for admission of the entire issued and to be issued share capital of the Bytes Group to the premium listing segment of the Official List, to trading on the Main Market of the London Stock Exchange and to the Main Board of the JSE by way of a secondary inward listing, to pursue an offer for subscription for New Shares, and a distribution of Altron's remaining interest in Bytes UK to Altron Ordinary Shareholders.

1.2 In order to give effect to the above, and as more fully set out in this Part 5 "Details of the Demerger", Altron, Bytes SA, Bytes UK Management, the Company and Bytes Technology Holdco have entered into the Demerger SPA for (i) Altron, through Bytes SA, to dispose of its A ordinary shares in Bytes UK to Bytes Technology Holdco and (ii) Bytes UK Management to sell their B ordinary shares in Bytes UK to the Company. The Company will settle the purchase consideration for the ordinary shares in Bytes UK through (i) the issue of Convertible Notes to Bytes SA, (ii) the payment to Bytes UK Management of the Cash-out Amount, and (iii) the issue to Bytes UK Management of the Bytes UK Management Consideration Shares. Bytes SA and the intermediate Altron Group companies will distribute the Convertible Notes to Altron as a distribution *in specie* in terms of section 46 of the South African Companies Act. Altron will retain 9 per cent. of the Convertible Notes to settle the dividends tax liability which will arise as a result of the Distribution and, subject to the fulfillment of the conditions that the Demerger Resolutions are passed and the TRP issues a Compliance Certificate for the Distribution, Altron will distribute the beneficial interest in the remaining Convertible Notes to Altron Ordinary Shareholders (including Altron Finance) as a distribution *in specie*. Altron has estimated its liability for dividends tax. However its actual liability will be determined after Altron Ordinary Shareholders return the Tax Declaration and Undertaking Forms annexed to the Altron Circular as described in accordance with the Altron Circular. Altron will also retain beneficial title to 8 per cent. of the Distributed Convertible Notes distributed to Altron Finance. All of Altron Finance's Convertible Notes will be redeemed for cash and Altron Finance will use the cash proceeds to settle a portion of Altron's loan obligations and optimise its capital structure. If Admission occurs, a portion of the Convertible Notes will be redeemed for cash and the balance of the Convertible Notes will be automatically converted into Converted Shares.

1.3 Following the implementation of the Demerger, Altron Ordinary Shareholders will beneficially hold (i) Altron Ordinary Shares (except to the extent disposed of after the Record Date for the Distribution); (ii) cash, to the extent that their Convertible Notes have been redeemed and in respect of any fractional entitlements to Convertible Notes (under the Distribution); and (iii) Converted Shares to the extent that their Convertible Notes have been converted. Altron will, following implementation of the Demerger, have no further interest in the Company or obligations to the Company in respect of the implementation of the Demerger.

1.4 As at the date of this Prospectus, the Demerger SPA and Convertible Notes Instrument have been entered into (as further described in this Part 5 "Details of the Demerger" and paragraph 10 of Part 15 "Additional Information"), the Altron Circular has been published and sent to Altron Shareholders, the Demerger Resolutions have been passed at the Altron EGM and the distribution of the Convertible Loan Notes has been declared. Any remaining steps to implement the Demerger will be completed on or prior to Admission.

1.5 A simplified structure diagram of the Bytes Group and the Altron Group immediately prior to completion of the Demerger is set out below.



2 Introduction and background

2.1 As at the date of this Prospectus, Bytes SA, an indirect wholly-owned subsidiary of Altron, owns the 10,000 A ordinary shares in Bytes UK and Bytes UK Management own the 1,000 B ordinary shares in Bytes UK.

2.2 In order to give effect to the Demerger, Altron, Bytes SA, Bytes UK Management, the Company and Bytes Technology Holdco entered into the Demerger SPA on 2 November 2020. Pursuant to the Demerger SPA, Bytes SA will sell and transfer its A ordinary shares in Bytes UK to Bytes Technology Holdco in consideration for which the Company issued 220,506,494 Convertible Notes to Bytes SA on 3 November 2020. Further, Bytes UK Management will sell and transfer their respective B ordinary shares in Bytes UK to the Company in consideration for a cash amount to be settled by the issue of the Bytes UK Management Consideration Shares and a cash payment equal to the Cash-out Amount.

2.3 The Cash-out Amount will not be funded from the proceeds of the Offer.

2.4 The Company entered into the Convertible Notes Instrument and issued a single Certificate in respect of all of the Convertible Notes to Bytes SA on 3 November 2020. The Convertible Notes are conditional on fulfilment of the Suspensive Conditions and will lapse and be cancelled for no value if the Suspensive Conditions are not fulfilled or waived by the Long Stop Date.

2.5 Each of Bytes SA, Altron TMT and Altron Finance distributed the Convertible Notes to their respective shareholders, such that Altron will hold 100 per cent. of the Convertible Notes.

2.6 On 20 November 2020, Altron declared the distribution of the beneficial title to 200,660,910 Convertible Notes, constituting approximately 91 per cent. of the Convertible Notes (the "**Distributed Convertible Notes**") to Altron Ordinary Shareholders who are registered as such on the Record Date for the Distribution (including Altron Finance), as a distribution *in specie* per section 46 of the South African Companies Act. Following the Altron EGM, provided the Demerger Resolutions have been duly passed and the TRP has issued a Compliance Certificate for the Distribution, Altron will release a finalisation announcement declaring the distribution of the Distributed Convertible Notes unconditional, which is expected to occur on or about 2 December 2020.

2.7 Following the Distribution, Altron will remain the registered holder of all the Convertible Notes, but it will hold the Distributed Convertible Notes as nominee for the Altron Ordinary Shareholders and all economic interest in the Distributed Convertible Notes will transfer beneficially to Altron Ordinary Shareholders.

2.8 On Admission (provided it is approved), the Redemption Proportion of the Convertible Notes will be redeemed by the Company for cash. The balance of the Convertible Notes will be automatically converted into Converted Shares.

2.9 Subject to Admission being approved, the Shares will be listed on the premium listing segment of the Official List of the FCA and the Main Board of the JSE by way of a secondary inward listing.

3 Implementation of the Demerger

With the exception of the Distribution, which is expected to be implemented on 10 December 2020, and payment of the Redemption Proceeds, which are expected to be paid by the Company to Altron by not later than four business days following Admission, the separate steps of the Demerger are inter-conditional and indivisible and will be implemented in sequence on Admission.

3.1 The Distribution

The Declaration Date for the Distribution was 20 November 2020. The Record Date for the Distribution is expected to be 9 December 2020. Altron Ordinary Shareholders who were registered as such on the Altron Register on the Record Date for the Distribution are expected to receive the Distribution on 10 December 2020.

3.2 Offer

3.2.1 On Admission (provided it is approved), subject to fulfilment or waiver of the Suspensive Conditions, the Company will issue the New Shares at the Offer Price to subscribers.

3.2.2 All underwriting commissions, fees, expenses and taxes payable in respect of the Offer and the issue of the New Shares will be borne by the Company.

3.3 Admission

On Admission (provided it is approved), following the implementation of the Offer, the Shares will be admitted to the premium listing segment of the Official List, to trading on the Main Market of the London Stock Exchange and on the Main Board of the JSE by way of a secondary inward listing.

3.4 Disposal

3.4.1 On Admission Bytes Technology Holdco will acquire the A ordinary shares in Bytes UK from Bytes SA and the Company will acquire all of the B ordinary shares in Bytes UK from Bytes UK Management.

3.4.2 The total value of the consideration for the Disposal is equal to the total of:

3.4.2.1 the number of Converted Shares issued multiplied by the Offer Price; plus

3.4.2.2 the number of Convertible Notes redeemed for cash multiplied by the Offer Price; plus

3.4.2.3 the number of Bytes UK Management Consideration Shares issued multiplied by the Offer Price; plus

3.4.2.4 the Cash-out Amount.

4 Terms of the Convertible Notes

4.1 The redemption or conversion of the Convertible Notes is conditional upon the fulfilment or waiver of the Suspensive Conditions. If the Suspensive Conditions are not fulfilled or waived by the Long Stop Date, the Convertible Notes will lapse and will be cancelled for no value.

4.2 The Convertible Notes will not bear interest. The registered and/or beneficial title to the Convertible Notes will be transferable to any member of the Altron Group and the beneficial title to the Distributed Convertible Notes will be transferable by Altron to Altron Ordinary Shareholders on the Record Date for the Distribution, but following the distribution of the beneficial title to the Distributed Convertible Notes to Altron Ordinary Shareholders, such beneficial title shall thereafter be non-transferable.

4.3 On Admission, the Redemption Proportion of Convertible Notes will be redeemed by the Company for cash. The balance of the Convertible Notes will be automatically converted into Converted Shares in a ratio of 1 Converted Share for 1 Convertible Note. The Convertible Notes will be redeemed such that (i) all the Convertible Notes retained by Altron as principal (to settle the dividends tax payable as a result of the Distribution) and all Convertible Notes beneficially held by Altron Finance (to settle a portion of Altron's loan obligations and optimise its capital structure) will be redeemed for cash; (ii) the aggregated fractional entitlements to Distributed Convertible Notes arising on the Distribution will be redeemed for cash; (iii) all Convertible Notes beneficially held by Restricted Altron Shareholders will be redeemed for cash; and (iv) the balance of the Convertible Notes will be redeemed for cash and converted into Converted Shares in the Default Ratio or (to the extent elections to redeem Convertible Notes in excess of the Default Ratio are made by eligible Altron Ordinary Shareholders) such greater percentage of Convertible Notes as can be satisfied to the extent of investor demand for Additional New Shares in the Offer will be redeemed for cash, with the balance being converted into Converted Shares.

4.4 An Altron Ordinary Shareholder, other than a Restricted Altron Shareholder and Altron Finance, is entitled to elect by no later than 12:00 (Johannesburg time) on the Record Date for the Distribution, that a greater percentage than the Default Ratio of its Convertible Notes should be redeemed for cash (on the basis that each of its remaining Convertible Notes which it does not elect to redeem will automatically convert into a Converted Share).

4.5 An Altron Ordinary Shareholder which does not make an election will have its Convertible Notes redeemed for cash and converted into Converted Shares in the Default Ratio.

4.6 Elections to have a greater percentage than the Default Ratio of an Altron Ordinary Shareholder’s Convertible Notes redeemed for cash will, subject to paragraphs 4.14 and 4.15 of this Part 5 "Details of the Demerger" having first been complied with, be effected to the extent of investor demand to subscribe for Additional New Shares in the Offer. To the extent that elections cannot be fully satisfied, redemptions will be reduced proportionately, provided that at a minimum, the Default Ratio of the Convertible Notes of each Altron Ordinary Shareholder (other than a Restricted Altron Shareholder or Altron Finance) will be redeemed for cash.

4.7 Altron (as principal in respect of Convertible Notes retained to settle the dividends tax payable as a result of the Distribution), Altron Finance, Restricted Altron Shareholders and applicable Altron Ordinary Shareholders (in respect of fractional entitlements to Distributed Convertible Notes only) will not be entitled to make any election in respect of their Convertible Notes. One hundred per cent. of the Convertible Notes so held by Altron (as principal or as nominee on their behalf) will be redeemed for cash at the Offer Price in priority to other Convertible Notes. The Company will remit the Redemption Proceeds in respect of such Convertible Notes in pounds sterling to the Escrow Bank on behalf of Altron: (i) for itself in respect of those Convertible Notes it holds as principal; and (ii) as nominee in respect of those Convertible Notes it holds as nominee for the Restricted Altron Shareholders, Altron Finance and applicable Altron Ordinary Shareholders (in respect of fractional entitlements to Distributed Convertible Notes). Altron reserves the right (but shall not be obliged) to not effect or to treat as invalid, any issue and/or delivery of Converted Shares to Altron Ordinary Shareholders who are in the United States, Australia, Canada and Japan, or some of them, in terms of the Demerger. In relation to Altron Ordinary Shareholders who are Restricted Shareholders, Altron and the Company shall be entitled (in their discretion), to do all things necessary or desirable to ensure compliance with applicable law and/or regulation, including not issuing or crediting Converted Shares to such Restricted Altron Shareholders and instead redeeming the relevant Convertible Notes for cash.

4.8 QIBs in the United States will be treated on the same basis as the other Altron Ordinary Shareholders (other than Altron Finance and Restricted Altron Shareholders) (as set out in paragraph 4.4 above), following the receipt by the Required Notice Recipient by no later than the QIB Notification Time of a signed US Investor Letter. A QIB's Convertible Notes will be redeemed and converted in the Default Ratio, unless such QIB makes an election to redeem a greater percentage than the Default Ratio of its Convertible Notes for cash in terms of paragraph 4.6 of this Part 5 "Details of the Demerger".

4.9 Convertible Notes will be redeemed out of the net proceeds of the Offer. The total amount applied by the Company towards the Redemption of Convertible Notes will equal the aggregate proceeds of the issue of New Shares pursuant to the Offer (after deducting the aggregate proceeds of the issue of New Shares to finance the costs and commissions of the Offer, and the stamp duty payable on the transfer of the shares in Bytes UK to the Company and Bytes Technology Holdco under the Demerger SPA, as reasonably determined by the Company).

4.10 The Escrow Bank will receive the Redemption Proceeds on behalf of Altron, as principal and as nominee for the Altron Ordinary Shareholders on the Altron Register on the Record Date for the Distribution. The Escrow Bank will convert the Redemption Proceeds from the Pound Sterling amount into Rand at the prevailing exchange rate and will transfer the Redemption Proceeds in Rand to Computershare (in respect of proceeds due to the Altron Ordinary Shareholders) and to Altron (in respect of proceeds due to Altron as principal). Computershare will transfer the Redemption Proceeds due to the Altron Ordinary Shareholders in the following manner: (i) in respect of Dematerialised Shareholders, by using the payment channels Altron uses for payment of dividends and *in specie* distributions; (ii) in respect of Certificated Shareholders whose bank account details are known to Altron, electronically to such bank account and (iii) in respect of Certificated Altron Shareholders whose bank account details are not known to Altron, the Redemption Proceeds will be retained by Computershare on behalf of Altron on trust in a nominee account.

4.11 On Admission, the aggregate number of Converted Shares will be issued to PLC Nominees in certificated form, as custodian for Strate with the beneficial interest therein held by Altron on behalf of Altron Ordinary Shareholders. PLC Nominees will hold a global certificate in respect of the Converted Shares.

4.12 In respect of the Altron Ordinary Shareholders who are Dematerialised Shareholders, Altron will instruct the Altron Transfer Secretary to transfer its book entry entitlements to the Converted Shares in Strate from Altron's CSDP account to the respective Strate accounts of Altron Ordinary Shareholders (although the legal title to the corresponding Converted Shares will remain with PLC Nominees).

4.13 In respect of Altron Ordinary Shareholders who are Certificated Shareholders, Altron will instruct the Altron Transfer Secretary to transfer the corresponding Strate entitlements to Converted Shares out of Altron's CSDP account in Strate by way of electronic book entry to Computershare Nominees who will hold the dematerialised Strate entitlements on behalf of such Certificated Shareholders (although the legal title to the corresponding Converted Shares will remain with PLC Nominees).

4.14 Application of the Default Ratio will result in the Company issuing New Shares in the Offer representing approximately 37 per cent. of the enlarged issued share capital of the Company at Admission. If there is demand from investors in the Offer for New Shares in excess of this percentage ("**Additional New Shares**"), then this will enable Altron Ordinary Shareholders who have elected to redeem more than the Default Ratio of their Convertible Notes to have such additional Convertible Notes redeemed.

4.15 If the demand from investors in the Offer is insufficient to meet the Default Ratio at Admission, then the Default Ratio will be adjusted so that, after redemption of all the Convertible Notes held by Altron as principal and all the Convertible Notes held by Altron as nominee for Restricted Altron Shareholders and Altron Finance, and to satisfy fractional entitlements to Distributed Convertible Notes, and after making provision for the expenses and commissions of the Offer and the stamp duty payable on the transfer of all the Bytes UK shares pursuant to the Demerger SPA, (as reasonably determined by the Company), all remaining proceeds of the Offer will be allocated to the redemption of Convertible Notes held by Altron as nominee for the remaining Altron Ordinary Shareholders and the balance of the Convertible Notes will be converted automatically into Converted Shares.

4.16 The Convertible Notes will not be Dematerialised, nor will they be listed on any securities exchange. In accordance with the terms of the Convertible Notes, Altron Ordinary Shareholders will not receive registered title to the Distributed Convertible Notes, nor will they be entitled to receive physical certificates representing the Convertible Notes. Upon implementation of the Distribution, Altron will retain registered title to the Convertible Notes, and will hold the Distributed Convertible Notes as nominee for Altron Ordinary Shareholders, pending the redemption or conversion of those Convertible Notes. Upon the redemption and/or the conversion of the Convertible Notes to which each Altron Ordinary Shareholder is beneficially entitled, Altron will remit (or procure the remittance) to such Altron Ordinary Shareholder of the Redemption Proceeds (after conversion into Rand) and/or the Converted Shares to which such Altron Ordinary

Shareholder is entitled in accordance with paragraph 4.10, 4.12 and 4.13 of this Part 5 "Details of the Demerger".

4.17 Upon redemption or conversion of all the Convertible Notes, the Convertible Notes and the Certificate will be cancelled and the Company will take all necessary actions to issue and allot the Converted Shares to Altron (as nominee for the beneficial holders of the relevant Distributed Convertible Notes).

4.18 All Converted Shares will be issued on the South African branch register of the Company. Following Admission, the Shares will be fully fungible between the Company's South African branch register and its United Kingdom register, subject to investors obtaining exchange control approvals where necessary. South African resident investors may only acquire the Shares, via the JSE, that are already on the South African branch share register maintained by Computershare, the Company's South African transfer secretaries. Non-South African residents are not subject to South African Exchange Control Regulations and may freely transfer Shares between branch registers.

5 **Entitlements and fractions**

5.1 Altron Ordinary Shareholders will be entitled to 0.5 Convertible Notes for every 1 Altron Ordinary Share held on the Record Date (the "**Entitlement Ratio**").

5.2 The application of the Entitlement Ratio in respect of Convertible Notes is subject to rounding down of fractional entitlements, in accordance with the standard JSE rounding convention. Fractional entitlements to Distributed Convertible Notes will be aggregated and redeemed and the proceeds distributed pro rata to those entitled to such fractional entitlements of Distributed Convertible Notes. If the number of Convertible Notes which fall to be redeemed for an Altron Ordinary Shareholder and the corresponding number of Convertible Notes that fall to be converted into Converted Shares for that Altron Shareholder (whether pursuant to an election or under the Default Ratio) do not represent whole numbers, the number of Convertible Notes to be redeemed will be rounded down to the nearest whole number and as a consequence the number of Convertible Notes to be converted will be rounded up to the nearest whole number, such that the remaining number of Convertible Notes to be converted represents a whole number.

6 **Altron Shareholder approvals required for the Demerger**

6.1 The Disposal constitutes a Category 1 Transaction by Altron in terms of the JSE Listings Requirements and, as such, was approved by an Ordinary Resolution adopted by Altron Shareholders at the Altron EGM (the "**Category 1 Resolution**").

6.2 The Disposal also constitutes a disposal of all or the greater part of the assets of Bytes SA and, having regard to the consolidated financial statements of Altron, the Disposal constitutes a disposal of the greater part of the assets of Altron, and as such, it was approved by a Special Resolution adopted by Altron Shareholders at the Altron EGM in terms of sections 112 and 115(2)(b) of the South African Companies Act (the "**Disposal Resolution**").

6.3 The Distribution constitutes the disposal of the greater part of the assets of Altron, and as such, it was approved by a Special Resolution adopted by Altron Shareholders at the Altron EGM in terms of sections 112 and 115(2)(a) of the South African Companies Act (the "**Distribution Resolution**").

7 **Suspensive Conditions**

The Demerger is subject to fulfilment or waiver by Altron, where capable of waiver, of the following Suspensive Conditions by no later than the Long Stop Date:

7.1 delivery by the Independent Expert of the Independent Expert's Report to the Altron Independent Board;

7.2 the adoption of the Demerger Resolutions at the Altron EGM;

7.3 either:

7.3.1 fewer than 15 per cent. of the voting rights exercised on the Disposal Resolution and the Distribution Resolution are exercised against such resolutions; or

7.3.2 if 15 per cent. or more of the voting rights exercised on the Disposal Resolution or the

Distribution Resolution are exercised against either such resolution:

(a) within the five business day period referred to in section 115(3)(a) of the South African Companies Act, no Altron Shareholder who voted against the Disposal Resolution or the Distribution Resolution requires Altron to seek the approval of the court in terms of section 115(3)(a) of the South African Companies Act; or

(b) if any Altron Shareholder who voted against the Disposal Resolution or the Distribution Resolution requires Altron to seek the approval of the court in terms of section 115(3)(a) of the South African Companies Act, court approval is obtained;

7.4 either:

7.4.1 within the 10 business day period referred to in section 115(3)(b) of the South African Companies Act, no Altron Shareholder who voted against the Disposal Resolution or the Distribution Resolution seeks leave of the court in terms of section 115(3)(b) of the South African Companies Act for a review of the Disposal or the Distribution; or

7.4.2 if any Altron Shareholder who voted against the Disposal Resolution or the Distribution Resolution seeks leave of the court in terms of section 115(3)(b) of the South African Companies Act for a review of the Disposal and/or the Distribution, then:

(a) the court determines that it will not grant such leave; or

(b) if the court does grant such leave, the court determines that the Disposal Resolution and the Distribution Resolution will not be set aside;

7.5 If any Altron Shareholders exercise Appraisal Rights, Altron Shareholders holding no more than 5 per cent. of all the Altron Ordinary Shares exercise their Appraisal Rights by delivering valid demands, as contemplated in sections 164(5) to 164(8) of the South African Companies Act, within the maximum time period specified in the South African Companies Act, provided that in the event that either:

7.5.1 Altron Shareholders deliver notices objecting to the Disposal Resolution or the Distribution Resolution as contemplated in section 164(3) of the South African Companies Act, in respect of no more than 5 per cent. of the Altron Ordinary Shares; or

7.5.2 Altron Shareholders who have delivered notices in terms of section 164(3) of the South African Companies Act exercise voting rights against the Disposal Resolution and the Distribution Resolution in respect of no more than 5 per cent. of the Altron Ordinary Shares,

this Suspensive Condition shall be fulfilled immediately following the Altron EGM;

7.6 approval by FinSurv for the Demerger in terms of the Exchange Control Regulations;

7.7 to the extent that their approval is required in terms of the Common Terms Agreement, Altron's Lenders give their written approval (on terms acceptable to Altron, acting reasonably) for the Disposal and the Distribution;

7.8 the release by Altron's Lenders of security over the shares and other assets in or of any members of the Bytes Group (including the shares in Bytes UK) with effect from Admission (including the Specified Security Documents);

7.9 the Company's UK bookrunner procures subscribers for not less than 25 per cent. of the expected enlarged issued share capital of the Company immediately following Admission (as determined by the Company acting reasonably) at a subscription price per Share not less than the Minimum Offer Price;

7.10 the Underwriting Agreement is entered into and becomes unconditional in accordance with its terms;

7.11 the issue by the TRP of Compliance Certificates in relation to the Distribution in terms of section 115(1)(a) and (b) (read with section 119(4)(b) of the South African Companies Act) by 2 December 2020;

7.12 the issue by the TRP of a Compliance Certificate in relation to the Disposal in terms of section 115(1)(a) and (b) (read with section 119(4)(b) of the South African Companies Act) between the Record Date and the Admission Date; and

7.13 Admission occurring.

8 Bytes UK Management Consideration Shares

The Bytes UK Management Consideration Shares that will be issued to Bytes UK Management pursuant to the Demerger SPA are subject to a 365 day lock-up.

Following Admission the Bytes UK Management Consideration Shares issued to Bytes UK Management will be issued in certificated form to each member of Bytes UK Management (unless any member of Bytes UK Management has notified their CREST account details to the Company) and held on the Company's United Kingdom register.

PART 6 - THE BUSINESS

1 Overview of the Bytes Group

The Bytes Group is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud and security products. The Bytes Group enables effective and cost-efficient technology sourcing, adoption and management across software, services, including in the areas of security and cloud. It aims to deliver the latest technology to a diverse and embedded non-consumer customer base and has a long track record of delivering strong financial performance.

The Bytes Group's software offering includes working with customers to identify their software needs, selecting and deploying appropriate software products, managing licence compliance and, ultimately, seeking to optimise their software assets. This offering is delivered through licensing and subscription agreements. The reselling of software in the form of licensing agreements, permits the Bytes Group's customers to install the software on a specified number of IT devices, such as desktop computers, mobile devices or servers. Software is also delivered through the cloud in the form of subscription agreements that allow access to the software for a specified number of users over a period of time, which is known as ‘‘software as-a-service’’ (**“SaaS”**). Examples include Microsoft Azure and Microsoft 365.

Beyond the reselling of software, the Bytes Group provides tailored IT solutions to its customers, including the products and services required to implement and manage such solutions. These solutions, which are provided both on premise and in the cloud, include professional and managed services as well as hardware sales.

The Bytes Group's principal operations are carried out under two brands: Bytes Software Services and Phoenix. Bytes Software Services' customer base is made up of both private sector customers and public sector customers, whilst Phoenix's focus (with the exception of its Licence Dashboard trading division) is solely on public sector customers. The proportion of the Bytes Group's gross profit for FY20 generated from its private sector customers and public sector customers was 67 per cent and 33 per cent. respectively. The Bytes Group's private sector customers are diversified by both size and end market, with 1,683 small and medium-sized businesses (being customers with fewer than 1,000 employees) (**“SMBs”**) and 731 enterprise customers (being customers with more than 1,000 employees) ("**Enterprise Customers**") in FY20 across a broad range of end markets including professional services, TMT, manufacturing and retail. In FY20, the Bytes Group had 2,516 public sector customers. The Bytes Group's public sector customer base demonstrates a strong foothold in the areas of education, charities and housing, local and central government, healthcare and law enforcement.

In FY20, 92.1 per cent. of the Bytes Group's gross invoiced income came from software sales, 4.1 per cent. from hardware sales and 3.8 per cent. from software services. Although hardware and software services currently represent a relatively small percentage of gross profit, increasing the Bytes Group’s penetration in these segments represents a growth opportunity.

The Bytes Group has strategic relationships and trusted partnerships with over 100 vendor partners and their distributors, including Adobe, AWS, Check Point, Citrix, CrowdStrike, Dell, HP, IBM, Microsoft, Mimecast, Oracle, Snow, Sophos, Veritas and VMWare. The strength and depth of these partnerships is evidenced by the Bytes Group having been recognised with numerous accreditations and awards from its vendor partners. The Bytes Group has a particularly strong track record of working with Microsoft, with dedicated Microsoft Services teams consisting of 140 Microsoft certified professionals ("**Microsoft Certified Professionals**"), and it is a certified Microsoft Gold and Silver Partner across 14 competencies between Bytes Software Services and Phoenix. The Bytes Group is one of Microsoft's largest partners in the UK by revenue and in Microsoft's 2020 financial year generated in excess of $1 billion of revenue for Microsoft from sales of Microsoft products and services into the UK market. Microsoft products and services accounted for £41.5 million, or 52.4 per cent., of the Bytes Group's gross profit in FY20 up from £24.1 million, or 55.5 per cent., in FY18 and rebates received by the Bytes Group from Microsoft increased from £12.8 million in FY18 to £20.9 million in FY20. The Bytes Group has also developed strong partnerships with vendors such as CrowdStrike and Check Point, which focus on cyber security products, and it regularly assesses the market for opportunities to expand its vendor relationships as new products and technologies arise.

Employee and customer satisfaction is a priority for the Bytes Group. In 2020, Bytes Software Services was ranked 21st in the Sunday Times' list of the best 100 Mid Companies to work for, and as at 12 October 2020, the Bytes Group had a Glassdoor rating of 3.9 out of 5 stars. The Bytes Group's employee attrition rates, particularly amongst its most experienced sales staff have historically been very low. This is evidenced by the fact that since FY15, of Bytes Software Services' 50 top achieving (in terms of gross profit generation) salespeople, only one has left and not returned to the Bytes Group. The Bytes Group regularly performs well and achieves high scores in customer satisfaction surveys, and high levels of customer satisfaction are further evidenced by the fact that, in FY19 and FY20, 93.4 per cent. and 92.1 per cent., respectively, of the Bytes Group's gross profit was attributable to business with existing customers (defined as customers that the Bytes Group has previously transacted with).

The Bytes Group was founded in 1982 as Bytes Computer Supplies Limited and in 1998, Bytes Technology Group Limited was acquired by Allied Electronics Corporation Limited, a South African, JSE listed technology company. Bytes UK acquired Security Partnerships, an IT security specialist, in 2011, and in 2017 it acquired Phoenix, a UK based VAR focused on the public sector market. The Bytes Group is headquartered in Leatherhead, Surrey, in the United Kingdom and has four branch offices in Reading, York and Manchester in England and Cork in Ireland. As at 30 September 2020, the Bytes Group employed 666 people.

The Bytes Group has a long track record of growth and between FY10 and FY20, gross profit has increased by a CAGR of 20 per cent[2]. This growth has been largely organic, with further contribution from the two strategic acquisitions of Security Partnerships and Phoenix. The Bytes Group generated gross invoiced income of £505.4 million in the six months ended 31 August 2020 (six months ended 31 August 2019: £370.3 million) and £722.2 million in FY20 (FY19: £549.4 million). The Bytes Group generated gross profit of £46.4 million in the six months ended 31 August 2020 (six months ended 31 August 2019: £39.9 million) and £79.2 million in FY20 (FY19: £63.6 million); and adjusted operating profit of £20.5 million in the six months ended 31 August 2020 (six months ended 31 August 2019: £16.7 million) and £31.7 million in FY20 (FY19: £20.6 million).

The Bytes Group's management utilise the following KPIs to monitor and analyse the Bytes Group's performance. The table below sets out the performance of these KPIs over the periods indicated. For further information on the non-IFRS financial measures and KPIs the Bytes Group uses, see Part 2 "Presentation of Financial and Other Information".

	Year ended			Six months ended	
	28 February 2018(10)	**28 February 2019**	**29 February 2020**	**31 August 2019**	**31 August 2020(11)**
			£'000		
Gross invoiced income (£000)(1)	343,428	549,370	722,154	370,328	505,380
Gross profit (£000)(2)	43,545	63,613	79,217	39,934	46,379
Gross profit growth(3)	-	46.1%	24.5%	-	16.1%
Adjusted operating profit (£000)(4)	11,480	20,643	31,725	16,687	20,489
Adjusted operating profit / gross profit (5)	26.4%	32.5%	40.0%	41.8%	44.2%
Cash conversion rate(6)	109.4%	139.7%	125.9%	4.4%	47.5%
Customers(7)	4,330	4,516	4,929	-	4,976
Average gross profit per customer (£000)(8)	-	14.1	16.1	-	17.2
Renewal rate(9)	-	136%	115%	-	-

Notes:

(1) "Gross invoiced income" is a non-IFRS financial measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items. The Bytes Group will continue to report gross invoiced income as an alternative financial KPI. . See table in Part 2 " Presentation of Financial and Other Information" for the reconciliation of gross invoiced income to revenue in the Bytes Group's consolidated statement of profit or loss.

(2) "Gross profit" is defined as revenue less cost of sales and has been extracted from the Bytes Group's historical financial information in Part 11 "Financial Information of Bytes UK", where it appears in the Bytes Group's consolidated statement of profit or loss.

(3) "Gross profit growth" is calculated as the percentage of growth in gross profit from the previous financial period.

(4) “Adjusted operating profit” is a non-IFRS financial measure that excludes from operating profit the effects of significant items of income and expenditure which might have an impact on the quality of earnings, such as acquisition costs, which are attributable to an isolated, non-recurring event. Acquired intangible amortisation and share-based payment charges are also excluded. See table in Part 2 "Presentation of Financial and Other Information" for the reconciliation of adjusted operating profit to operating profit in the Bytes Group's consolidated statement of profit or loss.

[2] FY10 to FY17 gross profit figures are derived from unaudited IFRS financial information, routinely prepared as part of the financial reporting procedures for the Altron Group

(5) "Adjusted operating profit / gross profit" is a non-IFRS financial measure that the Bytes Group defines as adjusted operating profit as a percentage of gross profit.

(6) "Cash conversion rate" is a non-IFRS financial measure that the Bytes Group defines as cash generated from operations minus capital expenditure (together, "Free Cash Flow") divided by adjusted operating profit. See table in Part 2 "Presentation of Financial and Other Information" for the reconciliation of the cash conversion rate to operating profit in the Bytes Group's consolidated statement of profit or loss.

(7) "Customers" is an operating metric that the Bytes Group calculates as the number of unique entities transacting greater than £100 in gross profit with the Bytes Group during the relevant financial period.

(8) "Average gross profit per customer" is an operating metric that the Bytes Group defines as total gross profit divided by customers.

(9) "Renewal rate" is an operating metric that the Bytes Group defines as gross profit from existing customers divided by total gross profit in the prior financial period. Existing customer is defined as a customer who has previously transacted with the Bytes Group .

(10) For the year ended 28 February 2018, "Average gross profit per customer" and "Renewal rate" are not presented because of the impact of the acquisition of Phoenix in September 2017.

(11) For the six months ended 31 August 2020 "Customers" and "Average gross profit per customer" have been calculated on a last twelve month ("LTM") basis. As at 31 August 2020, the Bytes Group's LTM gross profit was £85.7 million. LTM (August 2019 to August 2020) figures are calculated as the sum of H121 (1 March 2020 to 31 August 2020) and H220 (1 September 2019 – 29 February 2020). H220 is calculated as the difference between FY20 (1 March 2019 to 29 February 2020) and H120 (1 March 2019 to 31 August 2019).

2 The Bytes Group's Key Strengths

The Directors believe that the strong historic performance of the Bytes Group has been driven by the following key strengths:

2.1 *Significant total addressable market with strong growth potential*

The Bytes Group provides IT products and services in a market with significant growth potential. In 2019, IDC valued the UK software market (on premise and cloud) at £23.4 billion and the UK market for hardware and services at £55.8 billion[3] and therefore the Bytes Group's total addressable market for software, IT services and hardware is estimated to be £79.2 billion. Although the UK software market is the core market in which the Bytes Group competes, the Directors estimate that the Bytes Group had a total UK software market share of less than 3 per cent. in FY20. The UK software market is forecast to grow to £30.1 billion by 2024[4], representing a CAGR of 5.2 per cent. The UK IT services and hardware market is forecast to grow from £55.8 billion in 2019 to £62 billion in 2024, representing a CAGR of 2.1 per cent[5].

As at 8 July 2020, there were over 42,000 companies with over 100 employees[6] (being the threshold size of company that the Bytes Group targets). In addition, on the basis of publicly available information, the Directors estimate there are over 200,000 public sector organisations in the United Kingdom, including over 168,000 charities, 1,100 central and local government entities, 32,000 education organisations and 400 NHS trusts and authorities. While not all of these organisations would be target customers for the Bytes Group, the Directors believe that there is a significant market opportunity to further expand its customer base.

The Bytes Group has focused on developing relationships and gaining accreditations with vendors specialising in cloud computing, security and infrastructure. This has enabled the Bytes Group to benefit from the increased uptake of cloud computing as well as increased demand for security products.

Increased customer uptake of cloud computing and SaaS has contributed to the Bytes Group's growing proportion of repeat and annuity type revenue within its revenue mix in recent years. The Bytes Group categorises both annuity type and repeat revenue as relating to products customers purchase annually in order to run their operations, with annuity type revenue being linked to products that customers cannot function without. The Directors and the Proposed Directors believe that in FY20 in excess of 60 per cent. of the Bytes Group gross profit resulted from licences which are annually or periodically renewable, comprising principally cloud-based software sales as well as software assurance (a package of benefits provided by the software vendor that includes access to future (noncritical) updates at no extra cost). Similarly, the Bytes Group has been able to provide un-clouding services to customers that have found cloud-based solutions to be more expensive than relying on their own servers and technology or that otherwise want greater control over their IT systems due to security or data sovereignty concerns.

In its business with public sector customers, the Bytes Group has benefited from the increasing disaggregation of outsourcing contracts, particularly in central government, by demonstrating its focus on

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[3] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020,* Directors' estimates based on IDC data.
[4] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020,* Directors' estimates based on IDC data
[5] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020,* Directors' estimates based on IDC data
[6] Source: *Creditsafe 8 July 2020*

value and innovation.

2.2 ***A leading player in the market with a track record of strong financial growth and performance***

The Bytes Group is one of the leading value added software resellers in the UK IT market with software sales representing approximately 92 per cent. of its gross invoiced income of £722.1 million in FY20 and on a group basis would have been the 10th largest UK reseller and managed service provider by revenue in 2019 based on CRN's rankings, giving it a significant share of the market. [7]

The Bytes Group has demonstrated strong financial performance and growth with gross profit increasing from £12.6 million in FY10[8] to £43.5 million in FY18 and subsequently to £79.2 million in FY20. The Bytes Group's gross invoiced income increased from £343.4 million in FY18 to £722.2 million in FY20. During this period the Bytes Group has also effectively managed its costs, through automation of processes and other efficiencies including the introduction of new workflow practices that have improved order processing and general administration across the business. This has resulted in a significant increase in its adjusted operating profit/gross profit margin from 26.4 per cent. in FY18 to 40.0 per cent. in FY20. As a result, the Bytes Group's adjusted operating profit increased from £11.5 million in FY18 to £31.7 million in FY20.

The Bytes Group's business model is highly cash generative and over the last three financial years the Bytes Group had cash conversion rates of 109.4 per cent., 139.7 per cent. and 125.9 per cent. in FY18, FY19 and FY20, respectively. This cash generation is also reflective of the Bytes Group's relatively low capital expenditure requirements. The diversified nature of the Bytes Group's client base, with a significant number of customers being public sector organisations, means that credit risk is relatively low.

2.3 ***Strong vendor partnerships***

The Bytes Group has strategic relationships and trusted partnerships with over 100 vendor partners and their distributors, including Adobe, AWS, Check Point, Cisco, Citrix, CrowdStrike, Dell, HP, IBM, Microsoft, Mimecast, Oracle, Palo Alto, Snow, Sophos, Veritas and VMWare. In 1996, the Bytes Group became one of Microsoft's first resellers in the UK and has since become a Microsoft Gold Partner across 14 competencies between Bytes Software Services and Phoenix, with dedicated Microsoft Services teams consisting of 140 Microsoft Certified Professionals. Sales of Microsoft products and services accounted for 52.4 per cent. of the Bytes Group's gross profit in FY20. The Bytes Group is one of Microsoft's largest partners in the UK by revenue and in Microsoft's 2020 financial year generated in excess of $1 billion of revenue for Microsoft from sales of Microsoft products and services into the UK market, of which $377 million was attributable to on-premise sales and $675 million was attributable to cloud-based sales. The Bytes Group is predominantly focused on the higher growth parts of Microsoft’s product portfolio including Azure, Dynamics 365 and Office 365, which are expected to contribute 36 per cent., 27 per cent. and 16 per cent., respectively, of Microsoft's total revenue CAGR between 2020 and 2023[9]. The Directors expect sales of these products will continue to grow strongly within the Bytes Group's offering in the coming years.

Alongside maintaining and leveraging relationships with its longstanding software partners, the Bytes Group has sought to deepen its partnerships with emerging vendors with high-growth potential such as Check Point and CrowdStrike. Further, as part of the Bytes Group's strategy to develop its hardware offering, strong relationships have been established with Cisco, HP, IBM and Dell among others.

The Directors believe that the Bytes Group's customers benefit from the efficiency of having an infrastructure and services provider that enables them to choose the optimal IT solution for their specific business needs from a broad solutions offering, such as is provided by the Bytes Group. From a vendor partner’s perspective, the Bytes Group provides cost effective access to a widely-dispersed customer base. Furthermore, the Bytes Group is able to provide valuable customer feedback to its vendor partners and collaborate with them to drive joint marketing and sales initiatives.

The Bytes Group has received numerous awards from its vendor partners. In 2020 it has been awarded the AWS Microsoft Workloads APN Partner of the Year, the Dell Growth Partner of the Year, named the Sophos UK & Ireland Enterprise Partner of the Year and Public Cloud Partner of the Year; and named the Checkpoint Cloud Partner of the Year EMEA. In 2019 it was awarded the Microsoft Global Modern Workplace Transformation Partner Award and the OKTA UK & Ireland Partner of the Year. Between 2015

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[7] Bytes Software Services was ranked 12th with revenue of £345.9 million and Phoenix was ranked 25th with revenue of £152.4 million in CRN's 2019 rankings. The Bytes Group's cumulative revenue would have been £498.3 million and would have given it the 10th place ranking.

[8] FY10 gross profit figure is derived from unaudited IFRS financial information, routinely prepared as part of the financial reporting procedures for the Altron Group.

[9] Source: *"4Q20 Results – Finding a Way to a Beat and Raise*", Microsoft equity research published by Morgan Stanley, 23 July 2020

and 2018 it was named the Snow Partner of the Year, the CrowdStrike Partner of the Year, the Veeam Reseller of the Year, the Mimecast Channel Champion, the Barracuda EMEA Cloud Partner of the Year and the Microsoft Cloud Licencing Solution EMEA Partner of the Year and was awarded the Microsoft Operations Cloud Licencing Solution Partner Excellence Award.

2.4 ***Extensive and well-established customer relationships***

The Bytes Group has a diverse range of blue chip customers across the public and private sector and has a long track record of growing its customer base and developing long term relationships with customers. The Bytes Group's customer base grew from 1,651 customers in FY12 to 4,929 customers in FY20. The breadth of the customer base has resulted in low levels of customer concentration with the Bytes Group’s top ten customers making up only approximately 8 per cent. of gross profit in FY20. A lack of dependence on specific customers helps reduce the Bytes Group's credit risk as well as over reliance on key sales relationships. In addition to low customer concentration levels, the composition of the Bytes Group's top ten customers changes regularly due to cyclical buying patterns.

Organic growth in the Bytes Group's customer base has been driven through its effective sales strategy along with the continued progress in achieving awards and accreditations from key vendors. In 2017, the Bytes Group acquired Phoenix which had a significant number of public sector customers, further accelerating the growth in the Bytes Group's customer base. In FY20, the Bytes Group's customer base (comprising entities transacting with the Bytes Group and generating more than £100 of gross profit) was split relatively evenly between Bytes Software Services and Phoenix.

In FY20, 67 per cent. of the Bytes Group's gross profit was attributable to private sector customers and 33 per cent. was attributable to public sector customers. Private sector customers are split into two segments, Enterprise Customers and SMBs, which accounted for 43 per cent. and 25 per cent. of the Bytes Group's gross profit in 2020, respectively; and public sector customers are comprised of organisations across areas including education, housing and charities, healthcare and local and central government.

While the average gross invoiced income per customer attributable to public and private sector customers is broadly comparable, private sector customers typically generate higher gross profit margins. Average gross profit per private sector customer was approximately £22,000 in FY20 compared to approximately £10,000 for public sector customers. Public sector customers typically generate lower gross profit margins than private sector customers due to a combination of pricing caps imposed under some framework agreements, agreed discounts between vendor partners and certain governmental bodies and the competitive nature of the public sector tendering process. Notwithstanding the difference in gross profit margins between private sector and public sector transactions, the Directors believe that a balance of private and public sector customers increases the Bytes Group’s resilience and provides the Bytes Group with opportunities for growth through economic cycles.

The Bytes Group's diverse customer base has meant that it has become experienced at advising and providing its IT offerings to businesses and organisations at all stages of their IT journey. Significant expertise has been developed in assisting the Bytes Group's private sector customers in digital transformation processes, a developing trend across the market.

The Directors believe that the Bytes Group's expertise in public sector work, which is demonstrated by its presence on a significant number of framework agreements, will enable the Bytes Group to demonstrate continued resilience through turbulent economic cycles. The Directors believe that the necessity of remote working during the COVID-19 pandemic has increased certain public sector customers' commitment to digital transformation projects on accelerated timelines, and this has had a positive impact on the Bytes Group's current year trading. For example, at the beginning of the COVID-19 pandemic in late March 2020, the Bytes Group, in collaboration with Microsoft, delivered 1.25 million Teams licences to the NHS, which enabled a variety of workstreams to be continued across departments via video conferencing.

The Bytes Group's strong financial performance and growth is underpinned by its sales and customer service model, which the Directors believe puts the Bytes Group in a better position than many of its competitors to both win new business and earn more business from its existing customers, even in volatile economic conditions such as those being experienced as a result of the COVID-19 pandemic. The Bytes Group's account managers play a significant role in this growth and the further development of its customer relationships. Many of the Bytes Group's customers (particularly SMBs and public sector customers) have limited in-house IT resource, and so rely on the Bytes Group to advise on the best IT offering specific to them and their business. This requires the Bytes Group to be vendor agnostic, meaning that it seeks to recommend to its customers the most appropriate IT offering based on their specific needs. Doing so enables an account manager to develop deeper and more trusted relationships, which, as they mature, typically results in the account manager being able to sell additional, and more complex, offerings suited to the needs of the customers, resulting in increased customer spend over time.

2.5 ***Management team and employee culture***

The Bytes Group's Senior Management are highly experienced with a strong, well-established track record. The Bytes Group's Chief Executive Officer, Neil Murphy, has held the position since 2000, having previously worked as a sales director for the business for three years. Similarly, the Bytes Group's Chief Financial Officer, Keith Richardson, has been with the Bytes Group for 26 years. Together, the Chief Executive Officer and the Chief Financial Officer have run the Bytes Group as an autonomous business for over 20 years. Phoenix's Managing Director, Sam Mudd, has been in her role since 2009 and has over 30 years of software reseller and leadership experience. Phoenix's Finance Director, Paul Emms, joined the Phoenix business in 2004 following work as a chartered accountant and in senior finance roles. In addition, at the beginning of FY22 the Bytes Group intends to appoint a new managing director for Bytes Software Services. The remainder of the Bytes Group's management is comprised of a combination of long-standing employees, many of whom started their careers at Bytes Software Services or Phoenix, and more recent joiners with extensive industry experience and specialist expertise who have joined the business from other IT infrastructure and services providers.

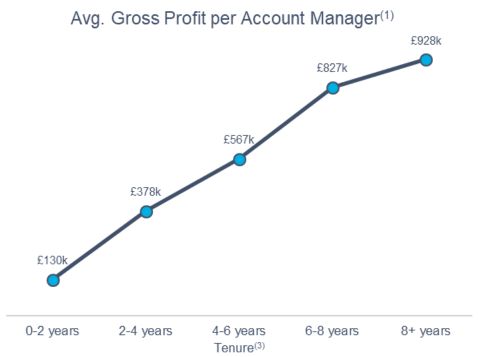
As it does with its rigorous sales team recruitment process, the Bytes Group seeks to ensure any hires it makes across the business demonstrate an ability to integrate and enhance the business's culture. Senior Management plays an integral role in cultivating the Bytes Group's dynamic, vibrant and engaging culture, motivating its employees to excel, and contributing to a high long-term retention rate of key staff. Senior Management makes it a priority to promote the business's key values of integrity, communication, learning, responsibility, teamwork and reward, which were a key factor in Bytes Software Services being ranked 21st in the Sunday Times' list of the best 100 Mid Companies to work for in 2020.

The strength of the Bytes Group's employee culture is evidenced by the fact that since FY15, of Bytes Software Services' 50 top achieving (in terms of gross profit generation) salespeople, only one has left and not returned to the Bytes Group. An important element of the Bytes Group's engaged and motivated employee culture is the importance it places on the training and development of its sales team, including through such training initiatives as its "7 steps to a million" sales director framework. This programme aims to provide the necessary training and coaching to enable a member of the Bytes Group's sales team who has no prior IT or sales experience to deliver £1 million of gross profit in a financial year within 7 years of starting working at the Bytes Group. In FY20 the Bytes Group had 17 account managers delivering over £1 million in gross profit with 3 delivering over £2 million in gross profit.

The Bytes Group is committed to its CSR objectives and has made them an integral part of its business operations. While aiming to conduct its business in a way that is ethical, the Bytes Group has pledged to give the equivalent of 1 per cent. of its net profit (through a combination of money, time, services and products) to charitable causes annually. The Bytes Group encourages its employees to take fully-paid volunteering days and aims to match any funds raised by employees for recognised charities. The Bytes Group's CSR policy, which was recently re-written in consultation with employees at all levels of the business, is based on the UN's 17 Sustainable Development Goals, and plays an important role in fostering trust between the Bytes Group and its employees as well as with its vendors and customers. The strength of the Bytes Group's CSR programme is evidenced by its invitation from Microsoft to participate in its working group on Diversity and Inclusion alongside other industry representatives. The Bytes Group actively seeks out opportunities such as this to partner with its vendor partners and customers on their CSR initiatives.

The Bytes Group has also undertaken efforts to maintain and support its strong employee culture during the COVID-19 pandemic. With the initial shift to home working following the lockdown conditions imposed as a result of the COVID-19 pandemic, the Bytes Group increased and enhanced its internal communications to its staff beyond normal levels. Since the relaxation of lockdown restrictions over the summer months of 2020, the Bytes Group established a "COVID-secure" office environment, allowing those staff that wished to return to the office the ability to do so in a safe and secure environment. The Bytes Group expects this level of flexibility to continue while the COVID-19 pandemic is ongoing and is exploring potential long-term flexible working arrangements for staff going forward.

The Bytes Group’s strong culture is key to driving financial and operational performance as account managers improve their productivity as their tenure with the Bytes Group increases, as illustrated in the following charts which set out average gross profit per account manager and number of account managers by tenure in FY20:



Notes:

(1) FY20 gross profit.

(2) Number of account managers for FY20.

(3) Length of employment as at 28 February 2020.

3 The Bytes Group's Strategy

The Bytes Group seeks to achieve double digit percentage annual gross profit growth over the medium term while continuing to provide a high quality service to its customers and maintaining its positive and dynamic workplace culture. The Directors believe that this will be achieved through its strategy to increase the Bytes Group’s share of wallet with existing customers and expand its customer base. The Directors further believe that the Demerger will allow the Bytes Group to pursue its growth strategy independently with an enhanced market profile, while also enhancing its employee culture by increasing employee ownership and incentivisation.

The Bytes Group already has a broad customer base, and its customers regularly purchase a range of products from the Bytes Group within any given financial year. Maintaining and developing its existing customer relationships is critical to the Bytes Group's continued growth and profitability. The Directors believe that there is a significant opportunity to deepen these existing customer relationships and fulfil more of the customers’ overall IT requirements. Many of the Bytes Group's customers use multiple VARs as their IT requirements continue to broaden with the evolution of new technologies. In this context, the Directors believe there is an opportunity to win an increased share of wallet from existing customers not only with the Bytes Group's core software offering but also with its services and hardware offerings.

In recent years the Bytes Group has been successful in winning new customers, in part as a result of its leading reputation in the market and its suite of top accreditations with vendor partners. This is evidenced through the high proportion of new customer wins that come as a result of either customer or vendor referrals. The UK IT market is highly fragmented and the Directors believe that the Bytes Group's share of its core software market is less than 3 per cent., which demonstrates the significant opportunity for further growth. In the first quarter of FY21, the Bytes Group won significant new business in both the public and private sector, signing new contracts with the Home Office and the Department for Environment, Food & Rural Affairs as well as a number of large corporate organisations.

Once the Bytes Group has won a customer, and as the relationship matures, customers typically will purchase additional and more complex products generally resulting in increased spend over time. For example, customers who became customers of the Bytes Group in FY15 generated an average gross profit per customer of approximately £8,300 in FY15[10], their first year as customers compared to an average gross profit per customer of approximately £18,000 in FY20, their sixth year as customers. The Directors believe this increased spend over the course of a customer relationship can be attributed to the Bytes Group's commitment to providing its customers with tailored IT offerings that encompass both technical knowledge and an understanding of a customer's existing IT portfolio. This approach helps the Bytes Group’s customers to achieve cost savings on their IT.

The Bytes Group’s growth strategy is underpinned by a culture which puts its customers at its core while also seeking to maintain a dynamic sales culture. The Directors believe that this vibrant culture has led to strong employee retention rates, improved productivity, better customer service and "stickier" customer relationships.

[10] FY15 gross profit figure is derived from unaudited IFRS financial information, routinely prepared as part of the financial reporting procedures for the Altron Group.

The Bytes Group intends to execute its strategy of continuing to expand and deepen its customer relationships through:

3.1 *Increasing the scale and productivity of its sales engine*

The Directors believe that continued development of the Bytes Group's sales team is integral to growing and developing a loyal customer base willing to increase the share of their IT spend with the Bytes Group. In order to build and develop the Bytes Group's sales engine the Company intends to continue to prioritise employee recruitment, training and development, employee culture and incentivisation.

The Bytes Group has a structured approach to recruitment targeting two to three sales person intakes per year which includes both graduates and more experienced individuals looking to move into the VAR industry.

The structured recruitment process coupled with the experience of the Bytes Group's management team, helps to identify the right individuals for the role with negotiation skills, adaptability and cultural fit being among the important determining factors. In order to ensure that new hires are quickly immersed in the Bytes Group's culture, the Bytes Group runs comprehensive induction and training programmes before placing new joiners within existing teams of experienced employees.

The Directors believe that a positive workplace culture is critical to the Bytes Group being able to motivate its employees to deliver high levels of customer service. One way in which the Bytes Group seeks to maintain its culture is by focusing on developing the skills of new hires within the business, rather than hiring experienced sales staff from other VARs who may be encumbered by a previous organisation's sales culture. This is illustrated by the Bytes Group's '7 steps to a million' sales director framework programme, which aims to provide the necessary training and coaching to enable a member of the Bytes Group's sales team without any prior IT or sales experience to deliver £1 million of gross profit in a financial year within 7 years of starting with the business.

Appropriate incentivisation is essential to maintaining high levels of staff retention and the Bytes Group is focused on ensuring that its commission and reward schemes are highly competitive relative to its peers. The positive impact of high levels of staff retention on the Bytes Group's profitability is illustrated by the average gross profit per account manager being significantly higher based on length of the account manager's employment with the Bytes Group. While account managers with over eight years of employment with the Bytes Group averaged gross profit of approximately £928,000 in FY20, those account managers with less than 2 years of employment with the Bytes Group averaged approximately £130,000 in FY20.

3.2 *Focusing on strength and depth in end markets*

Private sector customers accounted for 67 per cent. of the Bytes Group's gross profit for FY20, and are expected to remain the higher margin element of the Bytes Group's business. The Bytes Group intends to continue to closely follow market trends and develop its solutions offering to meet the changing demands of its private sector customers, which often vary across different end markets. To do so, the Bytes Group will seek to maintain its high level of technical expertise and continue to work closely with customers on their digital transformations to further embed themselves as the partner of choice for customers' IT needs. There is a large addressable market in the UK of over 42,000 private companies with over 100 employees[11], providing significant scope for further growth.

The Bytes Group intends to continue to develop its public sector expertise in the areas of education, housing and charities, healthcare and local government as well as establishing a stronger presence with large public sector customers, particularly in central government. Although opportunities with large public sector customers are inherently more limited in number, they have a higher potential value due to the larger scale of IT requirements. The acceleration of public sector digital transformation projects due to the ongoing COVID-19 pandemic, including the increased necessity for remote working, has presented a growth opportunity for the Bytes Group. The Directors believe that the changes to working practices driven by the COVID-19 pandemic have resulted in a realisation among many public sector organisations that digital transformation projects can be accomplished more quickly than they had previously expected (in some cases even in a number of months rather than years). As a result, the Directors believe that numerous public sector contracts will be tendered in the near-to-medium term, providing the Bytes Group with further opportunities to increase its public sector revenue and gross profit. Although public sector contracts are typically lower margin, they are also typically longer term and generally less impacted by adverse changes in economic conditions.

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[11] Source: *Creditsafe 8 July 2020*

3.3 *Targeted marketing*

The Bytes Group markets its products and services to new customers across a number of channels. This includes leveraging market intelligence and customer spend data to ensure that the Bytes Group is focusing its marketing to customers on product areas characterised by higher levels of customer spend. The Bytes Group also utilises traditional sales channels such as telesales as well as hosting events and webinars which help to drive customer lead generation. Customer or vendor referrals and word of mouth are often key to winning new business, which reinforces the importance of the Bytes Group's customer-centric approach in winning new customers while high levels of expertise and customer service also underpin the sale of new products and services to existing customers.

The ability to market the Bytes Group's products and services to both new and existing customers forms a central pillar of the training and assessment of its sales team members. The assessed characteristics required for a sales role at the Bytes Group include the ability to: (1) proactively sell into "white space"; (2) prospect accounts and engage with IT and procurement contacts to win business; and (3) build customer relationships to the extent that references are received. These competencies are assessed within a sales team member's core sales objectives for a given year.

The success of the Bytes Group's marketing strategy is demonstrated by the increase in customer numbers from 4,516 in FY19 to 4,929 in FY20. In addition to the growth in total customers, gross profit from the existing customer base grew strongly year on year at a renewal rate of 115 per cent. The Bytes Group's sales and account management teams are adept at marketing new products and services to existing customers. For example, over a four year period from February 2016 to February 2020, the Bytes Group increased its gross profit with an existing customer in the insurance industry by 277 per cent. Similarly, in the public sector, the Bytes Group won a new managed services contract with an NHS customer in August 2019 and, through cross selling of additional products, was able to increase gross profit generated with this customer by 27 per cent. from the gross profit achieved in the initial transaction to the cumulative gross profit generated as at 31 July 2020. The Bytes Group's approach to marketing new products and services to existing customers is driven by the customer's IT needs and the ability of the Bytes Group's sales team to demonstrate that the products and services being offered can lead to cost savings.

3.4 *Delivering repeatable cloud solutions*

The market trend towards cloud based solutions, which involves customers purchasing a renewable licence to use a product, provides an opportunity for the Bytes Group to increase the proportion of its gross profit base derived from annuity-type revenue streams. These licences are typically stickier, meaning customers are less likely to replace them with alternative licences once they have made an initial purchase, and provide a resilient gross profit base allowing the Bytes Group to devote more time and resource to generating new business. Sales team members are incentivised to increase the proportion of cloud sales within their overall sales mix and the Bytes Group is deepening relationships with innovative cloud-led vendors such as Crowdstrike.

The Bytes Group developed its proprietary Quantum tool to help its customers better understand their cloud spend, in particular for key Office 365 and Azure products. As cloud-based solutions continue to be an increasing proportion of the UK IT market, vendors have introduced pricing models based on usage. The Quantum tool's dashboard provides customers with a clear overview of consumption, costs and trends. The platform also provides customers with cost optimization recommendations, helping to ensure that costs are controlled. The deployment of tools such as Quantum alongside the Bytes Group's advisory expertise helps the Bytes Group not only to demonstrate its credentials to new customers and to embed itself further with existing clients, but also to cross-sell additional products to customers based on their specific needs.

3.5 *Continued diversification of product offering*

The Bytes Group's strong relationships with its customers provide it with a deep knowledge of customer requirements and inform its approach in providing and recommending relevant products. The Bytes Group operates in an industry which is subject to continuous and fast-paced technological change, with new products and services being introduced to the market frequently and existing products and services becoming outdated. As external factors, such as new product releases by vendor partners and wider technological changes, require customers to seek new or additional IT products, it is important that the Bytes Group provides up to date and independent advice regarding a broad portfolio of products.

The Bytes Group keeps pace with rapid technological change by monitoring the market and adapting its offering in line with customer demands and trends. The Bytes Group intends to continue to develop the relevant expertise required by the changing market through the ongoing training of employees or, where required, hiring employees who already have specific expertise. The Bytes Group also intends to continue developing additional partnerships with specialist IT providers to supplement the Bytes Group's existing offering.

Although historically hardware has only accounted for a small proportion of the Bytes Group's gross profit, the Directors consider hardware to be an area of significant potential growth for Bytes in the coming years. The COVID-19 pandemic and the widespread move to home working across its customer base has given further weight to this opportunity, as the hardware requirements of the Bytes Group's customer base undergoes significant change as a result of this trend.

In August 2020, the Bytes Group launched Smart Store, a low touch e-commerce platform, through which customers are able to buy hardware from a range of the Bytes Group's vendor partners including Microsoft, Dell, Cisco and HP (vendors with which it already has leading accreditations). With the products shipped directly from vendor or distributor to customer, the Directors believe that the platform is a low-cost way of capitalising on demand for hardware from its customers. Having previously not been an area of focus, the Directors believe that hardware sales present a significant opportunity for the Bytes Group. UK hardware market spend was estimated to be approximately £16.9 billion in 2019[12] which highlights the scale of the potential hardware opportunity. The Directors believe that hardware sales will enable the Bytes Group to increase its share of wallet from its existing customers and also mitigate the competitive pressure the Bytes Group faces from competitors offering hardware to customers and then seeking to cross-sell other products once embedded as the customer's hardware supplier. The Bytes Group is targeting an increase in its hardware sales to 10 per cent. of gross invoiced income in the medium term.

3.6 *Optimising software management capabilities*

The Bytes Group's services offering assists its customers in achieving cost efficient sourcing, adoption and management of their software. The Bytes Group has a track record in delivering services across a wide range of platforms and developing this offering further is an important part of the Bytes Group's growth strategy. The Bytes Group has a dedicated team of 60 software asset management (**"SAM"**) consultants across both Bytes Software Services and Phoenix providing tools and services to allow customers better visibility and control of their IT assets and procurement as well as to advise on software contracts and licensing management.

The Bytes Group has adopted a tiered approach to delivering new services. Once a new service area has been identified as a potentially attractive new offering, the Bytes Group initially seeks to deliver it through a number of third-party partners under the Bytes Group's brands, including both sub-contracting arrangements and tripartite agreements with the customer. For the service capability to then be brought fully in house it must meet three key objectives: (1) being commercially viable and profitable as a standalone business unit; (2) being additive to customer retention; and (3) increasing the level of revenue visibility.

The Bytes Group's proprietary Quantum tool also plays an important role in its SAM offering. As set out above, the platform enables the Bytes Group's customers to track their spend in real-time, saving them money and providing them with the data to make informed future purchasing decisions. For example, through the use of Quantum, Blue Prism, a leading machine learning organisation and a longstanding customer of the Bytes Group, was informed that it could save over £1 million in its Azure cloud costs over three years by switching to a different commercial structure. This saving enabled Blue Prism to reinvest in other areas of its business.

In addition to being an incremental revenue stream, the Bytes Group's SAM services provide another tool through which the Bytes Group can embed itself as a trusted adviser to its customers with the potential to cross sell additional products and services. The continued development of the Bytes Group's SAM offering will be in conjunction with its efforts to expand other parts of its services portfolio including security, data centre services, cloud services, modern workplace services, data management services and cyber consulting.

3.7 *Maintaining customer service excellence and continuing to develop technical expertise*

The Directors believe that a key to the Bytes Group being able to continue to differentiate itself from its competitors in the UK IT market is maintaining the level and quality of the customer service it provides. From the outset of their employment, the Bytes Group's employees are trained that high quality personal service is critical to the success of the business, enabling the Bytes Group to attract new customers and

[12] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020*

build long-term customer loyalty. One of the key components of the Bytes Group's customer service is its focus on technical expertise and ensuring that the Bytes Group's customers are given specialist and up-to-date guidance at the point of sale so that they can make informed choices in relation to their IT spend.

The Bytes Group benefits from a reputation for high levels of customer service, and in October 2020 had a Net Promoter Score of 61. In a Bytes Software Services customer satisfaction survey conducted in October 2020, 99.5 per cent. of participating customers confirmed they would recommend Bytes Software Services, and 96.2 per cent of participating customers rated the service provided by Bytes Software Services as either excellent or good.

The Bytes Group intends to continue to deliver outstanding levels of customer service by ensuring it has a team of employees who are properly trained and motivated to offer customers the best solutions for their business, so that prospective customers view the Bytes Group as an attractive alternative to other VARs, and existing customers increase the share of their IT spend with the Bytes Group. In considering what is the best solution for a particular customer, the Bytes Group will often advise organisations when not to spend money, increasing trust and encouraging long-lasting customer relationships.

The Bytes Group's high level of accreditations with its vendor partners indicates the quality of knowledge and service that the Bytes Group has in relation to their products and services. The Bytes Group's vendor partners provide training to the Bytes Group's sales and services teams, as well as access to new product and service information, all of which helps the Bytes Group to sell more and higher value solutions to its customers.

3.8 *Strategic acquisition opportunities*

In addition to the Company's organic growth strategy, the Bytes Group will consider strategic acquisitions that would complement the Bytes Group's existing offering and accelerate the implementation of the Bytes Group's strategy.

The Bytes Group has a track record of successful bolt-on M&A through the acquisitions of Security Partnerships and Phoenix in 2011 and 2017, respectively. These acquisitions allowed the Bytes Group to deepen its presence in the security and public sector segments much more quickly than would have been the case if those market areas had been addressed organically. Both Security Partnerships and Phoenix have performed strongly as part of the Bytes Group. Phoenix's performance was particularly strong in the six months ended 31 August 2020 with its adjusted operating profit during that period exceeding its total adjusted operating profit for the 16 month extended accounting period to 28 February 2018 during which its acquisition by the Bytes Group occurred.

4 *Market Overview*

4.1 *Significant total addressable market*

The UK information and communications technology ("**ICT**") market, of which the UK IT market forms a part, comprises a wide variety of solutions spanning customer needs across advisory and design, sourcing and procurement, implementation and integration, management and optimisation of software and hardware products and associated services. IDC estimates that the total UK ICT market in 2019 was worth £105.4 billion, of which the total addressable market for software (on premise and cloud), was valued at £23.4 billion[13]and the Directors estimate that the Bytes Group had a total UK software market share of less than 3 per cent. in FY20.[14] In addition to the UK software market, the Bytes Group also operates in the UK IT services and hardware markets, which together represented approximately 7.9 per cent. of the Bytes Group's FY20 gross invoiced income. IDC valued the UK total addressable market for IT services and hardware during 2019 at £55.8 billion[15]. Combining the UK IT services and hardware markets with its core software market, results in a total addressable market for the Bytes Group of £79.2 billion.[16]

As at 8 July 2020 there were over 42,000 companies with over 100 employees[17] (being the threshold size of company that the Bytes Group targets). On the basis of publicly available information the Directors estimate there are over 200,000 public sector organisations in the United Kingdom, including 168,000 charities, 1,100 central and local government entities, 32,000 education organisations and 400 NHS trusts and authorities. While not all of these organisations are target customers for the Bytes Group, the Directors

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[13] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020, Directors' estimates based on IDC data.*
[14] Source: Based on Gross invoiced income of £665m generated from software sales in FY20
[15] *Source: IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020, Directors' estimates based on IDC data*
[16] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020, Directors' estimates based on IDC data.*
[17] Source: *Creditsafe 8 July 2020*

believe that there is a significant market opportunity with a large number of UK private and public sector organisations. In FY20, the Bytes Group had approximately 2,400 private sector customers and 2,500 public sector customers indicating that there is a significant opportunity to further expand its customer base.

The top 350 UK VARs generated £21.8 billion in combined revenues in 2019, an increase of 12.4 per cent. over the previous year.[18] The Directors believe the UK VAR market is highly fragmented which is evidenced by no single UK VAR having greater than a 7 per cent. share of the total revenue of the top 350 VARs in 2019. The top 100 UK VARs accounted for £17.4 billion, with the 250 next largest UK VARs generating combined revenues of £4.4 billion in 2019.[19]

4.2 *IT Value Chain*

Vendors of IT products can choose to sell their products either directly to the end user or indirectly through the IT channel, which is comprised of VARs, distributors and other resellers. IDC estimates that approximately 63 per cent. of UK IT spending goes through the indirect IT channel with the remaining approximately 37 per cent. involving sales directly to the end customer[20], which highlights the importance of IT channel partners in the IT value chain. For vendors, the benefits of selling through the IT channel include: a significantly larger number of sales people promoting a vendor's products; access to a broader customer base; improved credit security; increased efficiency of sales and implementation; and the ongoing training and advice on new products that an IT channel partner can provide. The Directors believe that approximately 90 per cent. or more of Microsoft's UK sales are made through IT channel partners. Although this is higher than the UK average, the business models of many vendors also rely heavily on IT channel partners.

IT channel partners, in particular VARs, are typically offered preferential commercial terms by vendors, such as discounts and rebates, to promote vendor sales. Customers are attracted to the more competitive pricing that can be offered through a VAR and also the efficiency gains from transacting with only one or a small number of providers for all of their IT needs across multiple vendors. Increasingly, VARs are offering additional solutions and services to supplement their product resale offerings. The Bytes Group has expanded its offering into areas such as SAM, cloud services and data centre services, as well as an e-commerce platform offering hardware.

4.3 *Structural drivers of the UK IT market*

The UK IT market is underpinned by a number of structural drivers which include: the heightened importance of IT estates; increasing complexity of the IT landscape including the shift to cloud; and the increasing threat of cyber security breaches.

4.3.1 *Heightened importance of IT estates*

Over the last 30 years technology has fundamentally changed the way businesses and public sector organisations operate. Advances in technology have enabled companies to communicate more effectively, scale faster, improve the quality and assurance of goods and services, streamline business processes, and drive operational efficiency.

Consequently, high quality technology is now a key differentiator and competitive advantage for organisations, making IT a core part of companies' business models. The increasing digitisation of companies' operations is resulting in increased spending on software solutions. The COVID-19 pandemic has further increased the importance of resilience and agility within IT estates, particularly to meet the requirements of mass home working, which in turn has resulted in increased demand for cloud services. The Directors believe digital transformation and the resilience of the IT estate is an increasing priority for many companies and public sector organisations, allowing them to have greater flexibility and to evolve with new technological trends to facilitate more efficient operations while scaling IT costs relative to usage. However, this trend also presents challenges for companies and public sector organisations with respect to the effective procurement, management and optimisation of increasingly diverse but interconnected software and hardware estates. The Directors believe the need to address these challenges is a key reason for the increasing role of VARs in the UK IT value chain, as they provide important assistance and advice to customers in terms of making secure digital transformations. The Directors also believe that those VARs that can offer tailored solutions and a high level of technical expertise, such as the Bytes

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[18] Source: *ChannelWeb VAR 350 published January 2020*

[19] *Source: ChannelWeb VAR 350 published January 2020*

[20] *Source: IDC estimates, August 2020. Indirect Channel consists of VARs, distributors and other resellers*

Group, will emerge as the leaders in the VAR market over the coming years.

4.3.2 *Increasing complexity of the IT landscape and the shift to cloud*

The Directors believe that managing an organisation's IT infrastructure and services can be costly, complex and burdensome and that, in general, most IT infrastructure and services providers are not able to meet all of an organisation's IT requirements. The Directors believe that the pace of change in the IT landscape has driven an increase in the level of complexity of IT products and services. A major driver of this is the transition from on-premise, traditional software to cloud based alternatives as companies target a "cloud-first" strategy. VARs such as the Bytes Group, play an important role for both corporate and public sector organisations that are seeking to reduce the burden and complexities of dealing with multiple IT solutions and services providers, or which may not have the resources, expertise, experience or contacts to source and manage all of their IT requirements. The Directors believe that VARs will continue to perform an important role for IT vendors that may not have the desire, reach, relationships or platform to sell to these organisations directly.

4.3.3 *Increased threat and cost of cyber security breaches*

Despite significant investment in cyber security by many organisations over recent years, the threat and severity of cyber security breaches continues to increase across the SMB, Enterprise Customer and public sector space. In an annual global survey of over 5,500 individuals responsible for cyber security across a wide range of organisations published in June 2020, 39 per cent. of firms reported a cyber-attack in 2019, with the median cost to a firm for all incidents rising from $10,000 in 2018 to $57,000 in 2019[21]. For the largest companies (those with more than 1,000 employees) the median cost of a cyber security breach rose to $504,000 in 2019, with the lack of adequate cyber security investment cited as the key reason for the breaches. In the majority of sectors it was the larger firms with more than 700 computers that devoted less than 8 per cent. of their IT budget to cyber security that were the most heavily targeted[22]. The Directors believe that the demand for cyber security products will continue to accelerate as the level of threat, complexity and costs of cyber security breaches continues to increase, meaning companies become increasingly focused on their cyber security strategy.

4.4 ***The UK software, hardware, services and security markets***

4.4.1 *UK software market*

The Bytes Group's key market of focus is the UK software market. In FY20 software sales accounted for 92.1 per cent. of the Bytes Group's gross invoiced income. IDC estimated that spend on software by private sector and public sector organisations in the United Kingdom was approximately £23.4 billion in 2019 and will increase to £30.1 billion by 2024[23], representing a 5.2 per cent. CAGR. IDC further estimated that SMBs, Enterprise Customers and public sector organisations represented approximately 45.4 per cent., 41.1 per cent. and 13.4 per cent., respectively, of UK software spend in 2019 and that these percentages are expected to be approximately 45.1 per cent., 41.7 per cent. and 13.2 per cent., respectively of UK software spend in 2024. In absolute terms, IDC expects spend by SMBs and enterprise companies from 2019 to 2024 to increase by 27.6 per cent. and 30.3 per cent., respectively, while spend by public sector organisations during the same period is expected to increase by 26.6 per cent.[24]

The software market can be broadly split into two main categories: (1) on-premise software, which is typically sold on a perpetual licence and (2) public cloud services, which are typically sold on a monthly subscription based model. The growth in cloud software is forecast to significantly outpace on-premise software with IDC forecasting UK public cloud services spend to grow from £7.5 billion in 2019 to £15.1 billion in 2024 representing a CAGR of 15.0 per cent. compared to on-premise software spend which is forecast to fall from £15.9 billion in 2019 to £15.0 billion in 2014 representing a CAGR of -1.2 per cent.[25]

4.4.2 *Services market*

The Directors believe that as companies' software estates and IT requirements become more complex, they will increasingly require specialist IT advisers and services not only for procurement and

[21] Source: *Hiscox Cyber Readiness Report 2020*
[22] Source: *Hiscox Cyber Readiness Report 2020*
[23] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020,* Directors' estimates based on IDC data.
[24] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020,* Directors' estimates based on IDC data.
[25] *Source: Worldwide Semiannual Software Tracker Forecast, May 2020, Directors' estimates based on IDC data.*

implementation but also the management and optimisation of their IT estates. The UK IT services market is broad and encompasses managed services, IT outsourcing, project orientated IT consulting and support services (e.g. IT deployment support and training). IDC estimated that the total spend in the UK IT services market for 2019 was £38.9 billion which is forecast to rise to £40.2 billion in 2024.[26] IDC further estimated that the sub sectors of the IT services market which they define as, managed services, project orientated and support services represented a total spend of £18.9 billion, £13.4 billion and £6.6 billion, respectively, in 2019. IDC expects spend in the managed services and support services sub sectors to increase by 6.8 per cent. and 2.0 per cent., respectively, between 2019 and 2024 while spend in the project orientated sub sector is expected to fall by 1.2 per cent. over the same period.[27]

The Bytes Group view SAM as a particularly important service offering in the provision of cloud services. SAM tools are becoming increasingly important as the growing licensing complexity makes it easy for companies to overspend, as well as unknowingly be in breach of the terms of their licence. Furthermore, software delivery models have evolved to place a greater emphasis on recurring subscriptions as compared to more historic annual licence models. SAM tools provide companies with in-depth analysis of software assets by breaking down software licence entitlements, automating the collection of software consumption metrics, optimising software value delivery and sharing this information with other tools and stakeholders to facilitate data-driven decisions. The Directors' believe SAM tools are essential for the management of complex licensing metrics and cloud consumption in order to reduce risk, optimise costs and improve business outcomes. In 2019, Gartner estimated the size of the UK SAM market to be between $290 million and $310 million, with an estimated growth rate of approximately 12 per cent. over the previous year.[28]

4.4.3 *Hardware market*

The hardware segment of the UK IT market covers a broad range of products, including desktop computers, monitors and keyboards, laptop computers, mobile phones and peripherals (such as printers and scanners) as well as infrastructure such as network equipment, servers and storage. Historically the hardware market has not been an area of focus for the Bytes Group, as a result of the high growth it has continued to achieve through its focus on software sales. However, the Directors believe that there is a significant opportunity to increase the share of wallet from the Bytes Group's existing customers through expanding its hardware offering.

IDC estimated that spend on hardware by private and public sector organisations in the United Kingdom was £16.9 billion in 2019 and will increase to £21.8 billion by 2024. IDC further estimated that SMBs, enterprise companies and public sector organisations represented approximately 54.8 per cent., 31.1 per cent. and 14.1 per cent., respectively, of UK hardware spend in 2019 and that these percentages are expected to be approximately 55.0 per cent., 30.1 per cent. and 14.9 per cent., respectively, of UK hardware spend in 2024. IDC expects hardware spend by SMBs, Enterprise Customers and public sector organisations to increase by 29.5 per cent., 24.6 per cent. and 36.1 per cent., respectively, between 2019 and 2024.[29].

4.4.4 *Security market*

The increasing dependence on technology in the workplace and reliance on the internet underpin the increasing demand for cybersecurity products in the United Kingdom. Companies need to constantly update and implement new IT security to maintain protection levels against the increasing complexity of cyber security attacks. A cyber security breach can cause both private sector and public sector organisations significant financial and reputational damage as has been evidenced by numerous high profile incidents in recent years.

Increased legislation is a further driver in the cyber security market. An example of this is the GDPR, which came into effect in May 2018. The GDPR established a single set of rules applicable to all companies in the EU to protect the personal data of all EU citizens. Breaches of the GDPR can result in fines of up to the greater of €20 million or 4 per cent. of annual global turnover, meaning that serious breaches can result in material financial penalties for organisations, making inadequate IT security a significant risk.

IDC estimated that the split of security spend in 2019 for hardware, services and software was £0.8 billion, £3.1 billion and £1.5 billion, respectively. IDC further estimated that UK spending on IT security will rise

[26] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020, Directors'* estimates based on IDC data.
[27] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020,* Directors' estimates based on IDC data.
[28] Source: *Gartner – Magic Quadrant for SAM tools, July 2020*
[29] Source: *IDC Worldwide ICT Spending Guide Industry and Company Size, June 2020, Directors'* estimates based on IDC data.

from £5.3 billion in 2019 to £7.6 billion in 2024 representing a 7.5 per cent. CAGR. IDC expects the security spend across hardware, services and software from 2019 to 2024 to increase by 27.5 per cent., 53.2 per cent. and 32.5 per cent., respectively[30].

5 Bytes Group's Operations

5.1 *Brands*

The Bytes Group's principal operations are carried out under two brands: Bytes Software Services and Phoenix. Bytes Software Services' customer base is made up of both private sector customers and public sector customers, whilst Phoenix's focus (with the exception of its Licence Dashboard trading division) is solely on public sector customers. The proportion of the Bytes Group's gross profit for FY20 generated from private sector customers was 67 per cent. and 33 per cent., respectively. The Bytes Group's private sector customers are diversified by both size and end market, with 1,683 SMBs and 731 Enterprise Customers across a broad range of end markets including professional services, TMT, manufacturing and retail in FY20. The Bytes Group had 2,516 public sector customers in FY20, with a strong foothold in the areas of education, charities and housing, local and central government, healthcare and law enforcement. Due to the separate operations of the two brands they are both able to tender separately for the same public sector contract, provided they adhere to strict internal and external compliance procedures.

5.2 *Offerings*

The Bytes Group's offerings include software licensing and sales, professional and managed services and hardware sales. In general, most of the Bytes Group's customers will have a need for discrete software and/or hardware products, which the Bytes Group can procure from one or a number of its vendor partners. However, customers may also require more substantial assistance. For example, the Bytes Group may advise the customer as to what solution might best fit its needs and then help to design, implement, support and/or manage that solution (in addition to procuring the necessary software and/or hardware products). Where possible, the Bytes Group seeks to integrate its procurement and finance platforms with its vendor partners' supply chains to provide real time stock and availability information and invoicing capability to the Bytes Group's sales team.

5.2.1 *Software offering*

The Bytes Group's software offering includes working with customers to identify their software needs, selecting and deploying appropriate software solutions, managing licence compliance and, ultimately, seeking to optimise their software assets.

The Bytes Group principally resells software in the form of licensing agreements, which permit its customers to install the software on a specified number of IT devices, such as desktop computers, mobile devices or servers, which may be made accessible in the cloud. The Bytes Group also resells SaaS made available in the cloud in the form of subscription agreements which permit customers to access the software for a specified number of users over a period of time.

The Bytes Group works with customers to assist them with understanding the key terms of any licensing or subscription agreement before it is entered into. In particular, the Bytes Group is a leading reseller of service provider licensing agreements (**"SPLAs"**) to UK service providers, such as independent software vendors, systems integrators, hosting companies and cloud service providers. SPLAs allow service providers to license third-party software solutions, including SaaS, to their end customers on a subscription basis.

The Bytes Group proactively monitors the licensing or subscription agreement to keep the customer informed of key milestones concerning upgrades and renewals. It also offers more comprehensive and specialised services, which are provided under the Bytes Group's SAM solution for an additional fee, to help a customer maximise all of a product's benefits and to generate a strong return on its software investment.

The Bytes Group has developed trusted relationships with leading software vendors, including Check Point, Citrix, Microsoft, Mimecast, Symantec and VMWare. As a Microsoft Gold Partner, with dedicated Microsoft Services teams of 140 Microsoft Certified Professionals, the Bytes Group is one of Microsoft's largest partners in the UK by revenue and in Microsoft's 2020 financial year generated in excess of $1 billion of revenue for Microsoft from sales of Microsoft products and services into the UK market. Because of the strength of its software vendor relationships, the Bytes Group can also help a customer to escalate

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[30] *Source: IDC Worldwide Security Spending Guide, June 2020*

any support issues within a vendor partner's support team. The Bytes Group also continuously monitors the market for new software applications that may be of interest to its customers.

In FY20, the Bytes Group's gross invoiced income generated from software sales was £665.1 million, or 92.1 per cent. of its total gross invoiced income for the financial year.

5.2.2 *Services offering*

The Bytes Group's services offering includes professional and managed services and third-party services that cover a broad range of on-premise and remote services required for a customer's IT infrastructure needs. The Bytes Group supplements its professional and managed services teams with resources from its preferred IT infrastructure and services partners, which provides the Bytes Group with significant operational flexibility.

The Bytes Group has developed a number of products in-house that have expanded the range of services it can offer its customers at the point of sale. The most significant of these is its Quantum platform for use with Microsoft Azure and Office 365, which enables customers to manage their cloud-based spend, and plays an important role in the Bytes Group's SAM offering. The Quantum tool's dashboard presents customers with a clear overview of consumption, costs and trends. The platform also provides customers with cost optimisation recommendations, helping to ensure that costs are controlled. The Bytes Group offers its FastTrack service to customers purchasing Office 365, Windows 10 and Microsoft Enterprise Mobility + Security products. This provides Bytes Group customers with a full suite of best practices, tools, remote assistance and resources throughout the deployment and adoption stage of these Microsoft products, and for the life of the customers' subscriptions.

In its provision of security solutions, the Bytes Group combines specialist knowledge and technical delivery expertise, focusing on managed IPSs (intrusion prevention systems), firewalls, SOCs (security operations centres), NOCs (network operations centres) and vulnerability scanning. As at 1 March 2020, the Bytes Group employed 65 security specialists, who resolved over 2,400 support issues over the previous 12 months across approximately 200 managed service clients.

In terms of bespoke SAM solutions, the Bytes Group has a dedicated team of 60 consultants who provide tools and services to allow customers better visibility and control of their IT assets and procurement as well as advice on software contracts and licensing management. In addition, License Dashboard, which is a trading division within Phoenix, focuses solely on selling SAM solutions directly to end customers (who may or may not otherwise be Phoenix customers) and via partners in the UK, Europe and North America. License Dashboard's solutions include its own in-house developed License Manager tool, which is sold as a product under a subscription licence in conjunction with SAM solutions. Prominent end customers of License Dashboard include IKEA in Sweden, Diageo in the UK and Trinity Health Corporation in the United States.

The Bytes Group is investing in its services portfolio through both employee training and developing additional vendor partnerships. Phoenix has been awarded Microsoft Azure Advanced Migration Specialised Partner Status, which Bytes Software Services is working to achieve as a priority. In addition, both BSS and Phoenix expect to be awarded Microsoft Azure Expert Managed Services Provider Status in FY21. The Directors believe these accreditations, which are awarded to a finite number of organisations, will further demonstrate the Bytes Group's services capability, and, as a result, will support its revenue stream in respect of managing cloud migrations, potentially increasing profitability.

In FY20, the Bytes Group's gross invoiced income generated from services was £27.4 million or 3.8 per cent. of its total gross invoiced income for the financial year. The Bytes Group is not expecting services to grow materially as a percentage of gross invoiced income in the medium term.

5.2.3 *Hardware offering*

The Bytes Group's hardware offering includes advice, resale, installation and support for a full range of IT equipment, including desktop and laptop computers, mobile devices, communications equipment, rack servers, storage arrays and switches, as well as other peripherals. As the Bytes Group's service provider customers increasingly seek to offer cloud-based solutions to their end customers, the Bytes Group can provide them with their hardware and other infrastructure requirements. Typically, hardware products are warehoused and delivered directly by the vendor partner or its distributors. However, the Bytes Group can provide limited stock holding in-house or arrange for the distributor to hold purchased stock for a customer. The Bytes Group also can receive stock on a customer's behalf for imaging and asset tagging, before delivering it onward to the customer. In addition, the Bytes Group can arrange for non-core hardware services, such as electronic equipment waste removal, by third-party providers. The Bytes Group has developed strong relationships with leading hardware vendor partners, including Cisco, Dell, HP and IBM, which enable it to offer to its customers a comprehensive selection of hardware for sale through integrated vendor partner and/or distributor procurement channels.

While hardware sales have historically not been a key focus of the Bytes Group, in August 2020 it launched Smart Store, an e-commerce platform through which existing customers are able to buy hardware from a range of the Bytes Group's vendor partners including IBM, Dell, Cisco and HP. The Smart Store platform includes an online customisable self-service store.

The other elements of the Bytes Group's hardware offering include "Devices-as-a-Service" (a rental / lease facility); Bytes Managed Workspace (outsourcing of support, enabling customers to re-focus their resources on other priorities); and Smart Home Offices (a turnkey proposition to address the home-working opportunity and supporting the "work from home" experience while meeting legal responsibilities). The Bytes Group is also seeking to continue to deepen its relationships with key hardware vendors. For example Dell provides customer devices for all Microsoft Office 365 customers using the Bytes Group's Devices-as-a-Service offering, many of which are increasingly seeking hardware that aligns to the SaaS consumption patterns for different users.

The Directors believe that the Smart Store platform is a low-cost way of capitalising on the existing and growing demand for hardware amongst its customers, and will be a key element in meeting the Bytes Group's target of an increase in hardware sales to 10 per cent. of gross invoiced income in the medium term. In FY20, the Bytes Group's gross invoiced income generated from hardware sales was £29.6 million or 4.1 per cent. of its total gross invoiced income for the financial year.

5.3 ***Customers***

In FY20, the Bytes Group had 4,929 customers. The Bytes Group has a diverse range of blue chip customers across the public and private sector, with 67 per cent. of gross profit in FY20 resulting from work with corporate customers and 33 per cent. with public sector customers. The Bytes Group's diverse customer base means that it is not dependent on any one single customer. In FY20, the Bytes Group's top 10 customers only accounted for 8 per cent of its gross profit (FY19: 9 per cent.). In FY20, only 134 of the Bytes Group's customers generated over £1 million in gross invoiced income, with 968 generating between £100,000 and £1 million in gross invoiced income and 1,703 generating between £10,000 and £100,000 of gross invoiced income. The remainder of the Bytes Group's customers in FY20 generated less than £10,000 in gross invoiced income.

The Bytes Group markets its products and services to potential new customers across a number of channels, including traditional methods such as telesales and newsletters as well as hosting events and webinars which help to drive customer lead generation. Customer or vendor referrals and word of mouth are often key to winning new business and the Bytes Group often approaches new sectors using case studies and customer references. In addition, the Bytes Group monitors the customer lists of its vendor partners to consider potential new customers to which it could market its offering on an ongoing basis.

Alongside building new customer relationships, the Bytes Group is committed to increasing its share of existing customer wallets. Over the course of a customer relationship, customers will typically purchase additional, more complex, products generally resulting in increased spend over time. For example, customers who became customers of the Bytes Group in FY15 generated an average gross profit per customer of approximately £8,300 in FY15[31], their first year as customers compared to an average gross profit per customer of approximately £18,000 in FY20, their sixth year as customers. The Directors believe this increase is attributable to the Bytes Group's commitment to providing its customers with tailored solutions that encompass both technical expertise and an understanding of the customer's existing IT portfolio. The Bytes Group has a "many-to-many" relationship with its customers, with multiple Bytes Group employees of different levels of seniority maintaining each customer relationship. The Bytes Group works hard to keep its customers informed and engaged with an annual schedule of technology events, product webinars, newsletters and market reports.

The Bytes Group's private sector customer base is split into two segments: SMBs and Enterprise Customers, which represented 25 per cent. and 43 per cent., respectively, of the Bytes Group's gross profit for FY20.

Currently, the Bytes Group is party to 34 framework agreements that enable it to provide its solutions to a

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[31] FY15 gross profit figure is derived from unaudited IFRS financial information, routinely prepared as part of the financial reporting procedures for the Altron Group.

number of public sector organisations, including the Royal College of Surgeons, Manchester City Council and De Montfort University. In a number of cases Phoenix and Bytes Software Services are both party to the same framework agreement. Due to the significant degree of separation between the operations of the two brands, in such cases both are able to tender separately for the same public sector contract, provided they adhere to strict internal and external compliance procedures.

5.4 ***Vendor partners and procurement***

5.4.1 *Vendor partners and distributors*

The Bytes Group has strategic relationships and trusted partnerships with over 100 vendor partners and their distributors, including Adobe, AWS, Check Point, Citrix, CrowdStrike, Dell, HP, IBM, Microsoft, Mimecast, Oracle, Snow, Sophos, Veritas and VMWare. The Bytes Group has a particularly strong track record of working with Microsoft, with dedicated Microsoft Services teams consisting of 140 Microsoft Certified Professionals. In FY20, business with Microsoft accounted for 52.4 per cent. of the Bytes Group's gross profit.

Relationships with vendor partners and distributors are all maintained by multiple Bytes Group employees at different levels of seniority. Senior Management also maintain relationships at senior levels with certain of the Bytes Group's significant vendor partners' and distributors' personnel. This is particularly prevalent with Microsoft, where the Bytes Group has multiple points of contact throughout the organisation with a significant number of employees maintaining a regular dialogue with Microsoft. Many vendor partners have established reseller programmes, in which the participants must agree to their standard terms and conditions. In other cases, the Bytes Group has arrangements in place with vendor partners and distributors which provide terms and conditions specific to the Bytes Group. Both standard and specific vendor partner terms and conditions may include requirements to achieve and maintain certain volumes of sales or a level of accreditation, price protection policies, purchase discounts, return privileges and/ or incentive programmes. Incentives include purchase and sales rebates and cooperative advertising reimbursements, and are typically awarded based on achievement of a certain volume of sales.

Certain of the Bytes Group's vendor partners require it to achieve minimum levels of accreditation to offer their products or services. The Bytes Group's level of accreditation depends on a number of factors, including volume of sales and the number and level of certifications attained by employees, and is an indicator of the quality of knowledge that the Bytes Group has and level of service it provides in relation to the vendor partner's products and services. Generally, attainment of higher levels of accreditation is rewarded with preferential commercial terms. The Bytes Group holds fourteen accreditations from Microsoft between Bytes Software Services and Phoenix, including eleven "Gold" accreditations (the highest level attainable) for application development, collaboration and content, data analytics, enterprise resource planning, cloud platform, data centre, cloud productivity and small and midmarket cloud solutions and three "Silver" accreditations for communications, project and portfolio management and security. The Bytes Group also benefits from the highest levels of accreditation from certain of its other vendor partners, which include being an Adobe Platinum Partner, a Check Point Infinity Partner, a VMWare Premier Partner, a Veritas Platinum Partner, an Oracle Gold Partner, a Snow Platinum Partner, a Sophos Select Partner, a Citrix Gold Partner and an IBM Gold Partner.

In addition, The Bytes Group has received numerous awards from its vendor partners as set out in paragraph 2.3 of this Part 6 "The Business".

5.4.2 *Procurement*

Where possible, the Bytes Group's procurement and finance systems are integrated with its vendor partners' supply chains so that orders placed through the Bytes Group can be filled quickly and efficiently. Normally, products are sent or shipped from the vendor partner or its distributors directly to the customer, with any pre-purchased physical inventory stored at the vendor partners' distribution sites. However, the Bytes Group can provide limited physical stock holding in-house or arrange for the vendor partner or distributor to hold purchased physical stock for a customer.

5.5 **Environmental, social and corporate governance**

The Bytes Group is committed to operating its business in an ethical way, and to working with its employees, customers and vendor partners for a better, more sustainable future. The Bytes Group has chosen to model its corporate social responsibility commitments on the published United Nations Sustainable Development Goals, and operates initiatives in relation to charitable giving, employee wellbeing and environmental action.

The Bytes Group's goal is to donate the equivalent of 1 per cent. of business profits after tax to charitable or good causes, through a combination of financial contributions, fundraising and every member of staff being given a volunteering day off each year. The Bytes Group also intends for all of its decommissioned IT equipment to be offered to charities that manage the flow of this equipment to local or regional UK causes, particularly those that are government funded.

The Bytes Group's dedication to its employees' mental and physical health is of critical importance to the operation of the business. The Bytes Group has invested in full staff gym facilities, regularly funds team sporting events and provides its staff with full workspace assessment sessions. In addition, it is the Bytes Group's pledge to its staff that they will be supported during any periods of stress, anxiety, depression or any other metal health challenge they are experiencing. The Directors believe that, this requires a combination of structured and varied policies (with access to corresponding facilities) to encourage all staff to engage regularly in their own individual way.

An area of particular focus for the Bytes Group is delivery of clean, affordable energy, which directly impacts internal policies as well as engagement with customers. The Bytes Group is focused on reducing its energy consumption levels per staff member, supporting customers who are working proactively in the renewable energy sector and decreasing support for customers and vendors who are not working towards carbon neutrality. Bytes Software Services has signed a two year renewable energy contract with effect from 1 January 2021 and the Directors intend to regularly review timeframes and set targets in the Bytes Group's own journey to becoming carbon neutral. In October 2020, a cross-departmental working group was established with the aim of working with employees at all levels of the business, as well as customers and vendor partners, to implement and develop the Bytes Group's sustainability and environmental initiatives.

6 Sales Organisation, Recruitment and Training

As at 30 September 2020, the Bytes Group's sales team comprised 286 employees, including two sales directors, 12 divisional sales directors, 25 account directors, 158 account managers, 33 sales managers and 56 sales specialists. The two sales directors manage the sales teams of Bytes Software Services and Phoenix, respectively, and are supported by the divisional sales directors and the sales managers. The account directors focus on the overall management of existing customer relationships and prospecting new more valuable and/or larger accounts, whereas the account managers are responsible for forming new relationships with smaller customers, developing and managing those relationships over time, and maintaining strong relationships with existing customers. The sales managers and sales specialists have expertise relating to specific technologies or specific vendors' products and services, which they use to support the frontline sales staff.

The Bytes Group's account managers are predominantly organised by customer segment and/or regional focus. Bytes Software Services has 11 corporate sales teams focused on a mix of geographic regions and customer verticals, as well as one general public sector team and a dedicated NHS team. Phoenix has five sales teams that are entirely focused on public sector customers, including in the areas of charities, education and housing. Account managers are responsible for forming new customer relationships and developing those relationships over time. The majority of the Bytes Group's customers are served predominantly by a single account manager, which the Directors believe results in stronger relationships. While specialist sales staff are often aligned to a particular customer vertical, some provide support to a number of different sales teams, and who they assist is often dependent on availability at a given time and the requirements of the relevant teams.

The Bytes Group has a comprehensive recruitment process for its sales team, which is centred on identifying candidates with strong social and negotiation skills, technical knowledge and adaptive performance potential, and its recruitment criteria are based on the values of sustainability, accountability and authenticity. New sales team members are expected to gain and maintain subject matter expertise in a fast-changing market, whilst creating and nurturing high quality customer relationships. The Bytes Group typically runs two or three hiring intakes per year and although since the start of FY21 it has received over 400 applications for sales team roles it had hired only 51 new sales team members as of 11 November 2020.

From the start of their careers with the business, sales team members are taught to prioritise long-term customer value and they receive thorough and on-going training from both the Bytes Group and its vendor partners, tailored to their level of seniority. This training is focused on equipping them to provide customer service through mutually-aligned goals and metrics with a firm understanding of both customers' businesses and the range of solutions the Bytes Group's vendor partners can provide. After completion of the induction and initial training process, the Bytes Group supports continual learning, with sales team members strongly encouraged, and in certain cases required (for purposes of career advancement), to take exams and gain certifications in both the products offered by the Bytes Group's vendor partners and more general professional development areas such as sales leadership.

Due to the competitive nature of the sales team member role and the Bytes Group's rigorous performance criteria, attrition rates can be relatively high during the first two years of employment but tend to decrease significantly over time, as team members develop stronger customer relationships and, consequently, are able to realise the benefits of the Bytes Group's sales team commission and reward schemes. Since FY15, of Bytes Software Services' 50 top achieving (in terms of gross profit generation) salespeople, only one has left and not returned to the Bytes Group. As at 26 August 2020, the average age of a sales team member across the Bytes Group was 33, which, in an industry where individuals tend to start their careers in their early twenties, evidences the experience of the Bytes Group's sales staff.

The Directors believe that the consolidation of the Bytes Group's relationship with its employees over time can be attributed to its unique culture, which encourages professional development alongside mental and physical health and wellbeing. To this end, the Bytes Group provides a range of health related benefits to its employees including access to therapists, gym memberships, eyecare and bicycle schemes. In addition, the Bytes Group's CSR initiatives have been an important way of fostering a professional culture that its employees want to contribute to and gain job satisfaction from. Employees at all levels of the business were involved in the drafting of the Bytes Group's comprehensive CSR policy, the discussion of which forms an important part of the induction process for any new joiner.

Productivity is managed carefully over the course of a sales team member's career at the Bytes Group, and appropriate sales targets are set annually. In general, newer and more junior account managers have less experience and will also typically focus on a higher amount of prospective new business and, therefore, will achieve lower average gross profit and average earnings (excluding base salary) than more experienced sales team members. In FY20, account managers with less than two years of employment with the Bytes Group generated average gross profit of £130,000, whereas account managers with eight or more years of employment generated average gross profit of £928,000.

The commission received by all of the Bytes Group's frontline sales staff is calculated as a percentage of the gross profit on the sales they generate. While account managers have discretion, in collaboration with the relevant management team, to make pricing decisions, the Bytes Group has a comprehensive corporate governance framework in place to prevent sales being made at too low a margin. Further, while certain of the Bytes Group's vendor partners impose minimum and maximum prices in relation to the sale of their products, competitive market dynamics also act as a ceiling on the maximum margins sales team members can achieve, and ultimately help to ensure the customer receives good value for their investment.

7 Competition

The Bytes Group's competitors include an array of UK and international software, services and hardware providers, many of which offer products and services across the UK that overlap and compete with the solutions that the Bytes Group provides to its customers.

The Bytes Group competes with different IT infrastructure and services providers in each of the categories of products and services that it offers and in each of the customer segments that it serves and expects to encounter new competition as it grows its business. Certain IT infrastructure and services providers may focus on or be particularly strong in respect of specific products (such as Microsoft licensing or networking hardware), specific services (such as data centre services or systems integration) or specific customer segments (such as large corporates).

The Bytes Group also competes indirectly with retailers, as some customers may allow their employees to purchase IT infrastructure from stores. International IT infrastructure and services providers also have sought and may continue to seek to enter the UK market.

The Directors believe that the Bytes Group primarily competes with other IT infrastructure and services providers based on price, availability of solutions and customer service, with customer service being the differentiating factor when its products and services are otherwise competitively priced, particularly for smaller companies. Customer service tends to be a stronger focus for VARs generally, as well as for service providers and systems integrators, although the latter two generally operate in a lower product volume environment than, and therefore generally compete less directly with, VARs and retailers. VARs and retailers both operate in a higher volume environment, but retailers typically pass through a higher proportion of their revenue to vendors and generally earn lower gross profit margins.

The Directors believe that the Bytes Group's primary competitors are IT infrastructure and services providers that focus on similar products or types of customer in the United Kingdom such as Softcat and SoftwareONE. To a lesser extent, the Bytes Group also competes with other IT infrastructure and services providers operating in the United Kingdom, such as Computacenter plc, which tend to focus principally on the large enterprise customer segment and managed services, areas which currently represent a small portion of the Bytes Group's business.

The Bytes Group also competes with the direct sales arms of certain of its vendor partners, but this competition is limited as the Directors believe its vendor partners generally prefer to utilise VARs for offering their products and services to customers.

The Directors believe that deteriorating economic conditions due to the COVID-19 pandemic will disproportionately impact the corporate sector (in particular, the retail and hospitality sectors), while public sector customers will likely see their overall IT budgets maintained or increased. Furthermore, public sector organisations have increasingly sought to disaggregate their outsourcing contracts, particularly in central government. The Directors believe that these trends may result in a shift in focus by certain of the Bytes Group's competitors towards public sector customers and therefore a change in the competitive landscape of that segment of the market.

8 Regulatory Environment

The Bytes Group is subject to laws and regulations in the UK and other jurisdictions where it operates that affect companies conducting business on the internet, and supplying IT products and services to non-consumer customers. These include regulations related to employment, health and safety, privacy, data protection, intellectual property, electronic communications and contracts, competition, advertising, taxation, anti-bribery and corruption, money-laundering, trade prohibitions, sanctions, and online payment services.

Although its activities do not involve the use and processing of consumer data, the Bytes Group does collect, process, store and transmit proprietary information and sensitive or confidential data, including personal information of employees as well as bank details of customers. As a result, the Bytes Group is subject to laws and regulations governing data protection and cyber security in the UK and other jurisdictions where it operates, including the GDPR which became effective in May 2018. The GDPR has both increased the regulatory burden on the Bytes Group in processing personal information of employees, customers and vendor partners and increased the potential sanctions for breaches. Failure to comply with the GDPR may lead to regulatory enforcement actions, which can result in significant penalties of up to four per cent. of the annual worldwide turnover of the Bytes Group.

The Bytes Group operates in compliance with the policies and procedures of its public sector customers, including procurement regulations, regulations relating to the protection of classified information and legislation regarding the pricing of labour and other costs in government contracts. Failure to comply with such policies and procedures may result in the Bytes Group's suspension from contracting with public sector organisations, particularly where such failures result in a breach of the terms of any public sector framework agreements.

9 Information Technology

The Bytes Group's internal and external IT infrastructure is distributed across its own and certain third-party owned and managed data centres in the United Kingdom, which are continuously monitored from the Bytes Group's offices and certain third-party security operations centres. The Bytes Group's internal IT infrastructure is managed by a team of 58 IT engineers as at 30 September 2020 including operations staff, analysts and developers. The Bytes Group offers its customers managed software and hardware asset management platforms that use the Bytes Group's IT infrastructure, and these customers rely on continuous and uninterrupted availability of such IT infrastructure to conduct their respective businesses. Operated using the Bytes Group's IT infrastructure, the Quantum analytics tool is available to all customers who purchase Office 365 and Azure products.

The Bytes Group is certified to the latest international standards with Bytes Software Services holding accreditations in information security management (ISO 27001), quality management (ISO 9001), and environmental management (ISO 14001) and Phoenix holding accreditations in information security management (ISO 27001), quality management (ISO 9001), environmental management (ISO 14001) and service management (ISO 20000). In FY20, the Bytes Group conducted five full security audits.

10 Intellectual Property

The Bytes Group's only registered trademarks are in relation to the "LICENSE DASHBOARD" name and brand. The Bytes Group also relies on unregistered trademarks, copyright and unpatented proprietary know-how, as well as confidentiality, non-solicitation and non-competition arrangements.

The Bytes Group also holds a portfolio of internet domain names (most notably, www.bytes.co.uk and www.phoenixs.co.uk) that is managed by the Bytes Group's technology team.

The Bytes Group has its own bespoke technology, platform, data and reporting systems, including systems and technology relating to its Quantum analytics tool, which provides cloud cost analytics for customers using key Office 365 and Azure products. The Bytes Group also licenses from third parties technology software for managing aspects of its business, including in respect of customer relationship management, information security and data storage and processing, and also makes use of open source software where appropriate.

On occasion, the Bytes Group engages third parties to develop processes, techniques, technology or other intellectual property on its behalf. As a matter of general practice, contracts with such third parties provide for the assignment of relevant intellectual property to the Bytes Group or the right to use such intellectual property in its business. The Bytes Group's employees and direct contractors are generally contractually required to both transfer relevant intellectual property to the Bytes Group (in addition to statutory protections for the Bytes Group where available) and maintain confidentiality.

As at the date of this Prospectus, there were no outstanding intellectual property infringement actions involving the Bytes Group.

11 **Employees**

As at 30 September 2020, the Bytes Group had 666 employees. The following table sets out the Bytes Group's employees by seniority and function as at 30 September 2020:

Job Type	**Total**	**Level**				
Role		**Employee**	**Lead**(1)	**Management**(1)	**Senior Executive**(1)	**Director**(1)
Direct Sales	215	185	5	16	9	0
Sales Specialist(2)	86	63	3	14	6	0
Admin & Operations	168	139	12	14	3	0
Technical	151	115	12	21	3	0
Finance & Accounts	36	30	2	3	1	0
Director(3)	10	0	0	0	0	10
Total	666	532	34	68	22	10

Notes:

(1) The Bytes Group considers 'Leads' to be employees who have other employees reporting to them but do not manage a whole team. Management are those who manage teams, and Senior Executives are those employees with a divisional director job title, but who do not sit on the board of a Bytes Group company. 'Directors' are employees who also sit on the board of a Bytes Group company.

(2) Sales specialists are those sales employees focusing on a particular product or service offered by the Bytes Group.

(3) The 'Directors' occupy executive and/or non-executive roles across the Bytes Group.

12 **Properties**

The Bytes Group operates from four properties located in England with staff working from home in Ireland. The following table sets out the Bytes Group's properties:

Name and location	**Tenure**
Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW	Freehold
13th Floor, City Tower, Piccadilly Plaza, Manchester, M1 4BT	Lease
Blenheim House, York Road, Pocklington, York, YO42 1NS	Freehold
Pacific House, Imperial Way, Reading, Berkshire, RG2 0TD	Lease

The Bytes Group's Reading lease expires on 31 July 2028 and the Bytes Group's Manchester lease expires on 31 July 2021.

13 **Insurance**

The Bytes Group maintains insurance cover to protect its business in the event of claims and maintains a good relationship with its insurers. At the last renewal date the aggregate insurance costs for the Bytes Group for the period from July 2020 to July 2021 was £221,319, including policies in relation to its freehold property, its leasehold property and business interruption, as well as professional indemnity insurance and directors' and officers' liability insurance. As a consequence of potentially becoming a stand-alone listed group on Admission, insurers were asked to evaluate the Bytes Group's current coverage and requote for amended policies suitable for a listed group. The Directors believe that the requoted insurance coverage for the Bytes Group is appropriate for its business, in respect of its level and applicable excesses and deductibles, considering the Bytes Group's business status and location as well as the scale of its current business activities. Following the potential Admission, the Directors intend to monitor and regularly review the Bytes Group's insurance coverage.

14 **Dividend Policy**

The Board initially intends to target an annual dividend of between 40 per cent. and 50 per cent. of the Bytes Group's profit after tax before any exceptional items in each financial year. Subject to any cash requirements for on-going investment, the Board will consider returning excess cash to Shareholders over time.

The Board expects that the first dividend that may be declared by the Company after Admission will be the interim dividend in respect of the year ending 28 February 2022, which, if declared, will be payable in the final quarter of 2021.

The Board may revise the Company's dividend policy from time to time.

PART 7 - DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The following table lists the names, positions, nationalities and ages of the Directors:

Name	Age	Nationality	Position
Patrick De Smedt	65	Belgian	Chairman
Neil Murphy	56	British	Chief Executive Officer
Keith Richardson	61	British	Chief Financial Officer
David Maw	69	British	Non-executive Director
Mike Phillips	58	British	Senior Independent Non-executive Director
Alison Vincent	56	British	Non-executive Director

The business address of each Director is at Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW, England.

Patrick De Smedt (Chairman)

Patrick De Smedt joined the Bytes Group as Chairman on 27 July 2020. He is also Chairman of EMIS Group plc and GCI Managed Services Group Ltd and Senior Independent Director of PageGroup plc. Patrick has a wealth of international business experience including a diverse portfolio of board appointments in public and private equity-backed companies. Patrick spent 23 years at Microsoft during which time he founded the Benelux subsidiaries, led the development of its Western European business and served as Chairman of Microsoft for Europe, Middle East and Africa.

Since leaving Microsoft in 2006, Patrick has served on the boards of a number of European public and private companies. He was previously Non-Executive Director and Chairman of the Remuneration Committee of Victrex plc, Senior Independent Director and Chairman of the Remuneration Committee of Morgan Sindall plc and Anite plc and interim Chairman of KCOM Group plc.

Neil Murphy (Chief Executive Officer)

Neil Murphy is the Chief Executive Officer of the Company and has been the Managing Director of the Bytes Group since 2000. Prior to becoming Managing Director, Neil was Sales Director of the Bytes Group for three years and prior to that he spent seven years in general sales management at the British software company ICL (now part of the Fujitsu group). Neil holds a diploma in marketing from Kingston University.

Keith Richardson (Chief Financial Officer)

Keith Richardson is the Chief Financial Officer of the Company. Keith has spent 26 years at the Bytes Group where he has been responsible for Finance and Operations. Keith is a Chartered accountant (ICAEW) and trained at Deloitte LLP.

David Maw (Non-executive Director)

David Maw has been a non-executive director of the Bytes Group since 2000. David is a Certified Accountant (FCCA), and post-qualification, he moved to PMM and Co (now KPMG) in both Cardiff and Fiji where he was a Senior Manager and gained experience in Audit, M&A and Receiverships. Upon returning to the UK, he joined Rank Xerox Ltd where he became a member of the boards of the holding company and several subsidiaries across the world. He was Director for Tax, Treasury and Leasing as well as being responsible for M&A in Xerox EMEA. He was part of the Xerox family for over 20 years with periods working in the UK, California and Connecticut, USA and also as Controller, Xerox European Manufacturing Operations.

David has assisted the Bytes UK management team for 20 years in its growth from a small business and has sat on both the audit and remuneration committees of the Bytes UK board.

Mike Phillips (Senior Independent Non-executive Director)

Mike Phillips ACA has over 17 years of experience serving as an executive director on UK listed companies, most recently as Chief Financial Officer of Micro Focus International plc from September 2010 to January 2018. From January 2018 to 31 May 2019 he was Director of M&A for Micro Focus and handled the divestment of SUSE to EQT. Prior to his time at Micro Focus he was Chief Executive Officer at Morse plc, following his initial role as Group Finance Director. Mike left Morse plc in July 2010 following the turnaround and successful corporate sale to 2e2 in June 2010.

From August 1998 to February 2007, Mike was Group Finance Director at Microgen plc and played a lead role in its transformation to an international software and services business with sustainable and profitable growth.

Earlier roles include seven years of corporate finance work at Smith & Williamson, as well as two years at PricewaterhouseCoopers where he led the UK technology team, reporting to the global Head of Corporate Finance for the Technology Sector. Mike began his career at Peat Marwick Mitchell & Co (now KPMG) where he qualified as a Chartered Accountant. Mike was a non-executive director of Parity Group plc from November 2011 to September 2013.

Alison Vincent (Non-executive Director)

Dr Alison Vincent is an experienced IT industry leader with recent roles including Group Chief Information Security Officer at HSBC from July 2017 to December 2018 and Chief Technology Officer at Cisco from February 2015 to July 2017. Prior to those positions she held technical leadership roles in NDS, Micro Focus and IBM. She has experience in cybersecurity, research and development, strategy execution, product management and business development, with particular expertise in digital strategy, innovation and mergers and acquisitions.

Alison is a Non-Executive Director of SEI Investments (Europe) Ltd, Synectics Plc and Connected Places Catapult. She is a Lay Member of Council at Southampton University and is a Technical Adviser to Arqit Ltd and UMotif Ltd.

Alison has a PhD in Cryptography & Combinatorics from London University and a 1st Class Honours BSc in Maths and Computer Science. She is a Fellow of the Royal Academy of Engineering, a Fellow of the British Computer Society and a Fellow of the IET.

Senior Management Team

The Company's current Senior Management, in addition to the Executive Directors listed above, is as follows:

Name	Age	Position
Sam Mudd	51	Phoenix Managing Director
Paul Emms	53	Phoenix Finance Director

The business address of each member of Senior Management is Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW, England.

Sam Mudd (Phoenix Managing Director)

Sam Mudd has been Managing Director of Phoenix since 2009 and has over 30 years of software reseller and leadership experience having held senior roles at vendors such as WordPerfect, Novell Inc. and Trustmarqe Solutions (now part of Capita plc).

Paul Emms (Phoenix Finance Director)

Paul Emms is the Finance Director of Phoenix, having joined the company in 2004. Paul qualified as a chartered accountant at PwC and worked in senior finance roles at BT plc and Bradford & Bingley.

Corporate governance

UK Corporate Governance Code

The Board is committed to the highest standards of corporate governance and maintaining an effective framework for the control and management of the Company. Following Admission, apart from the limited exceptions explained below, the Board will comply with the UK Corporate Governance Code published in July 2018 by the Financial Reporting Council. The UK Corporate Governance Code sets out a number of principles in relation to board leadership, effectiveness, accountability, remuneration and relations with shareholders. As envisaged by the UK Corporate Governance Code, the Board has established an audit and risk committee, a nomination committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

The UK Corporate Governance Code recommends that at least half the Board of Directors, excluding the chairman (who the Board considers was independent on appointment), should comprise non-executive directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. The Board regards Mike Phillips and Alison Vincent of the Non-Executive Directors as "Independent Non-Executive Directors" within the meaning of the UK Corporate Governance Code and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

David Maw has been appointed as a Non-Executive Director although he was not considered by the Board to be independent on appointment given his role as a non-executive director of Bytes UK since 2000. The Nomination Committee and the Directors consider that having David in this role is in the interests of Shareholders as it allows the Bytes Group to benefit from his proven leadership qualities, significant expertise and detailed understanding of the Bytes Group's operations and markets in which it operates.

However, given that on Admission half of the Board of Directors will not be considered by the Board to be independent non-executive directors, the Company will not comply with the UK Corporate Governance Code in this particular respect.

Audit and risk committee

The audit and risk committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's annual financial statements, considering the scope of the annual audit and the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal control systems in place within the Bytes Group. The audit and risk committee will normally meet not less than four times a year.

The audit and risk committee is chaired by Mike Phillips and its other members are Alison Vincent and David Maw. The UK Corporate Governance Code recommends that all members of the audit committee be independent non-executive directors and that one such member has recent and relevant financial experience. Mike Phillips has the requisite recent and relevant financial experience. However, as David Maw is not an independent non-executive director, the Company will not comply with the UK Corporate Governance Code in this particular respect. The Directors consider that having David in this role is in the interests of Shareholders given his own recent and relevant financial experience and his historic involvement in the audit and risk related matters of the Bytes Group, including being a member of Bytes UK's audit committee for a number of years.

Nomination committee

The nomination committee assists the Board in determining the composition and make-up of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. The nomination committee also determines succession plans for the Chairman and Chief Executive Officer. The nomination committee will normally meet not less than twice a year.

The nomination committee is chaired by Patrick De Smedt and its other members are Mike Phillips and Alison Vincent. The UK Corporate Governance Code recommends that a majority of the nomination committee be independent non-executive directors. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code in this respect.

Remuneration committee

The remuneration committee recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Directors and recommends and monitors the remuneration of members of Senior Management. The remuneration committee will also generate an annual remuneration report to be approved by the members of the Company at the annual general meeting. The remuneration committee will normally meet not less than twice a year.

The remuneration committee is chaired by Alison Vincent and its other members are Mike Phillips and Patrick De Smedt. The UK Corporate Governance Code recommends that a remuneration committee should comprise at least three members who are independent non-executive directors or, in the case of companies below the FTSE 350 throughout the year immediately prior to the reporting year, two independent non-executive directors. The UK Corporate Governance Code further recommends that the chair of the board may only be a member if they were independent on appointment, but should not chair the remuneration committee. The Board considers that the Company complies with the requirements of the UK Corporate Governance Code in this respect.

Market disclosure

The Board will ensure that all information that is required to be disclosed to the market to meet the legal and regulatory obligations and requirements arising from the listing of the Company's securities on the London Stock Exchange and JSE, including the Listing Rules, the JSE Listing Requirements, the Disclosure Guidance and Transparency Rules and the Market Abuse Regulation is so disclosed in a timely and accurate manner.

Any decisions taken by the Board in this regard will be by a quorum of a minimum of one Executive Director and one Non-Executive Director.

Share dealing code

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Shares which is based on the requirements of the Market Abuse Regulation, the FMA and the JSE Listings Requirements. The code adopted will apply to the Directors, members of the Senior Management team and other relevant employees of the Group.

Conflicts of interest

There are no actual or potential conflicts of interest between any duties owed by the Directors or Senior Management to the Company and their private interests and/or other duties.

PART 8 - SELECTED FINANCIAL INFORMATION

The selected historical financial information set out below for the periods indicated has been extracted without material amendment from Section A of Part 11 "Financial Information of Bytes UK", where it is shown with important notes describing some of the line items. The financial information for the six months ended 31 August 2019 is not audited.

Consolidated statement of profit or loss

	Year ended			Six months ended	
	28 February 2018	28 February 2019	29 February 2020	31 August 2019	31 August 2020
			£'000		
				(unaudited)	
Revenue	321,892	349,658	373,103	205,045	221,222
Cost of sales	(278,347)	(286,045)	(293,886)	(165,111)	(174,843)
Gross profit	**43,545**	**63,613**	**79,217**	**39,934**	**46,379**
Administrative expenses	(33,307)	(44,918)	(49,373)	(24,172)	(26,849)
Operating profit	**10,238**	**18,695**	**29,844**	**15,762**	**19,530**
Finance income	20	85	158	85	24
Finance costs	(58)	(1)	(82)	(41)	(40)
Finance income/(costs) - net	(38)	84	76	44	(16)
Profit before taxation	**10,200**	**18,779**	**29,920**	**15,806**	**19,514**
Income tax expense	(2,111)	(3,643)	(5,762)	(3,074)	(3,757)
Profit for the period attributable to owners of the Company	**8,089**	**15,136**	**24,158**	**12,732**	**15,757**
Basic earnings per Ordinary Share	809	1,514	2,416	1,273	1,576
Diluted earnings per Ordinary Share	728	1,362	2,174	1,146	1,418

Consolidated balance sheet

	As at			As at
	28 February 2018	28 February 2019	29 February 2020	31 August 2020
		£'000		
Assets				
Non-current assets				
Property, plant and equipment	7,072	7,470	8,521	8,420
Right-of-use assets	-	-	1,332	1,202
Intangible assets	49,273	47,663	46,053	45,248
Contract assets	294	-	1,056	459
Total non-current assets	**56,639**	**55,133**	**56,962**	**55,329**
Current assets				
Inventories	1,661	94	688	746
Contract assets	4,068	9,112	5,085	8,009
Trade and other receivables	46,753	54,598	77,094	99,268
Cash and cash equivalents	6,706	26,038	47,357	31,928
Total current assets	**59,188**	**89,842**	**130,224**	**139,951**
Total assets	**115,827**	**144,975**	**187,186**	**195,280**
Liabilities				
Non-current liabilities				
Lease liabilities	-	-	(1,295)	(1,252)

Contract liabilities	-	-	(1,001)	(1,475)
Deferred tax liabilities	(2,285)	(2,038)	(1,895)	(1,754)
Total non-current liabilities	**(2,285)**	**(2,038)**	**(4,191)**	**(4,481)**
Current liabilities				
Trade and other payables	(72,774)	(89,031)	(116,510)	(130,619)
Contract liabilities	(5,882)	(9,683)	(10,205)	(9,186)
Current tax liabilities	(1,261)	(2,070)	(3,191)	(645)
Lease liabilities	-	-	(307)	(256)
Total current liabilities	**(79,917)**	**(100,784)**	**(130,213)**	**(140,706)**
Total liabilities	**(82,202**	**(102,822)**	**(134,404)**	**(145,187)**
Net assets	**33,625**	**42,153**	**52,782**	**50,093**
Equity				
Issued share capital	-	-	-	-
Other reserves	561	899	1,170	1,324
Retained earnings	33,064	41,254	51,612	48,769
Total equity	**33,625**	**42,153**	**52,782**	**50,093**

Consolidated statement of cash flows

	Year ended			Six months ended	
	28 February 2018	**28 February 2019**	**29 February 2020**	**31 August 2019**	**31 August 2020**
			£'000		
Cash flows from operating activities				*(unaudited)*	
Cash generated from operations	12,784	29,892	41,699	1,251	10,047
Interest received	20	85	158	85	24
Interest paid	(58)	(1)	(2)	(1)	(2)
Income taxes paid	(1,934)	(3,081)	(4,784)	(2,099)	(6,444)
Net cash inflow/(outflow) from operating activities	**10,812**	**26,895**	**37,071**	**(764)**	**3,625**
Cash flows from investing activities					
Payments for acquisition of subsidiary, net of cash acquired	(31,938)	-	-	-	-
Payments for property, plant and equipment	(227)	(1,063)	(1,745)	(521)	(322)
Net cash outflow from investing activities	**(32,165)**	**(1,063)**	**(1,745)**	**(521)**	**(322)**
Cash flows from financing activities					
Principal elements of lease payments	-	-	(207)	(70)	(132)
Dividends paid to company shareholders	-	(6,500)	(13,800)	(4,800)	(18,600)
Net cash outflow from financing activities	-	**(6,500)**	**(14,007)**	**(4,870)**	**(18,732)**
Net increase in cash and cash equivalents	**(21,353)**	**19,332**	**21,319**	**(6,155)**	**(15,429)**
Cash and cash equivalents at the beginning of the financial year	28,059	6,706	26,038	26,038	47,357
Cash and cash equivalents at end of year	**6,706**	**26,038**	**47,357**	**19,883**	**31,928**

Consolidated statement of changes in equity

	Attributable to owners of the Company				
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity**
			£'000		
For the years ended 28 February 2018, 2019 and February 2020:					
Balance at 1 March 2017	-	**-**	**417**	**24,975**	**25,392**
Total comprehensive income for the year	-	-	-	8,089	8,089
Share-based payment transactions	-	-	144	-	144
Balance at 28 February 2018	-	-	**561**	**33,064**	**33,625**

Adjustment on initial application of IFRS 9 and IFRS 15	-	-	-	(446)	(446)
Restated total equity at the beginning of the financial year	**-**	**-**	**561**	**32,618**	**33,179**
Total comprehensive income for the year	-	-	-	15,136	15,136
Dividends paid	**-**	**-**	**-**	(6,500)	(6,500)
Share-based payment transactions			338	-	338
Balance at 28 February 2019	-	-	**899**	**41,254**	**42,153**
Total comprehensive income for the year	-	-	-	24,158	24,158
Dividends paid	-	-	-	(13,800)	(13,800)
Share-based payment transactions	-	-	271	-	271
Balance at 29 February 2020	-	-	**1,170**	**51,612**	**52,782**
For the six months ended 31 August 2019 (Unaudited):					
Balance at 28 February 2019	-	-	**899**	41,254	42,153
Total comprehensive income for the period	-	-	-	12,732	12,732
Dividends paid	-	-	-	(4,800)	(4,800)
Share-based payment transactions	-	-	120	-	120
Balance at 31 August 2019	-	-	**1,019**	**49,186**	**50,205**
For the six months ended 31 August 2020:					
Balance at 29 February 2020	-	-	1,170	51,612	52,782
Total comprehensive income for the period	-	-		15,757	15,757
Dividends paid	-	-	-	(18,600)	(18,600)
Share-based payment transactions	-	-	154	-	154
Balance at 31 August 2020	-	-	**1,324**	**48,769**	**50,093**

PART 9 - OPERATING AND FINANCIAL REVIEW

This Part 9 "Operating and Financial Review" should be read together with the entire document and, in particular, in conjunction with Part 2 "Presentation of Financial and Other Information", Part 6 "The Business" and Part 11 "Financial Information". The financial information discussed in this Part 9 "Operating and Financial Review" is extracted or derived from the audited consolidated financial statements set out in Part 9 "Financial Information" which have been prepared in accordance with (i) IFRS as adopted by the EU, (ii) the requirements of the Prospectus Regulation and (iii) the Listing Rules.

The following discussion of the Bytes Group's results of operations and financial conditions contains forward-looking statements. The Bytes Group's actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this document, particularly under Part 1 "Risk Factors" and Part 2 "Presentation of Financial and Other Information".

The Company was incorporated on 7 October 2020 and has no historical operations or financial information apart from its opening balance sheet set out in Part 12 "Financial Information of the Company". Unless otherwise indicated, the financial information presented in this Prospectus has been extracted or derived from the historical financial information of Bytes UK and its subsidiaries.

1 **Overview**

The Bytes Group is one of the UK's leading providers of IT software offerings and solutions, with a focus on cloud and security products. The Bytes Group enables effective and cost-efficient technology sourcing, adoption and management across software, services, including in the areas of security and cloud. It aims to deliver the latest technology to a diverse and embedded non-consumer customer base and has a long track record of delivering strong financial performance.

The Bytes Group's software offering includes working with customers to identify their software needs, selecting and deploying appropriate software products, managing licence compliance and, ultimately, seeking to optimise their software assets. Beyond the selling of software, the Bytes Group provides tailored IT solutions to its customers, including professional and managed services as well as hardware. The Bytes Group's principal operations are carried out under two brands: Bytes Software Services and Phoenix. Bytes Software Services' customer base is made up of both private sector customers and public sector customers, whilst Phoenix's focus (with the exception of its License Dashboard trading division) is solely on public sector customers. The proportion of the Bytes Group's gross profit for FY20 generated from its private sector customers and public sector customers was 67.2 per cent. and 32.8 per cent., respectively. In FY20, 92.1 per cent. of the Bytes Group's gross invoiced income came from software sales, 4.1 per cent. from hardware sales and 3.8 per cent. from software services. Although hardware and software services currently represent a relatively small percentage of gross invoiced income, increasing the Bytes Group's penetration in these segments represents a growth opportunity.

The Bytes Group has strategic relationships and trusted partnerships with over 100 vendor partners and their distributors. The Bytes Group has a particularly strong track record of working with Microsoft. The Bytes Group is one of Microsoft's largest partners in the UK by revenue and in Microsoft's 2020 financial year generated in excess of $1 billion of revenue for Microsoft from sales of Microsoft products and services into the UK market. Microsoft products and services accounted for £41.5 million, or 52.4 per cent., of the Bytes Group's gross profit in FY20 up from £24.1 million, or 55.5 per cent., in FY18 and rebates received by the Bytes Group from Microsoft increased from £12.8 million in FY18 to £20.9 million in FY20.

Employee and customer satisfaction are important priorities for the Bytes Group. In 2020, Bytes Software Services was ranked 21st in the Sunday Times' list of the best 100 Mid Companies to work for, and as at 12 October 2020, the Bytes Group had a Glassdoor rating of 3.9 out of 5 stars. The Bytes Group's employee attrition rates, particularly amongst its most experienced sales staff have historically been very low. The Bytes Group regularly performs well and achieves high scores in customer satisfaction surveys, and high levels of customer satisfaction are further evidenced by the fact that, in FY19 and FY20, 93 per cent. and 92 per cent., respectively of the Bytes Group's gross profit was attributable to business with existing customers defined as customers that the Bytes Group has previously transacted with).

The Bytes Group has a long track record of growth and between FY10 and FY20, gross profit has increased by a CAGR of 20 per cent.[32] This growth has been largely organic, with further contribution from

[32] FY10 to FY17 gross profit figures are derived from unaudited IFRS financial information, routinely prepared as part of the financial reporting procedures of

the two strategic acquisitions of Security Partnerships and Phoenix. The Bytes Group generated gross invoiced income of £505.4 million in the six months ended 31 August 2020 (six months ended 31 August 2019: £370.3 million) and £722.2 million in FY20 (FY19: £549.4 million). It had gross profit of £46.4 million in the six months ended 31 August 2020 (six months ended 31 August 2019: £39.9 million) and £79.2 million in FY20 (FY19: £63.6 million); and adjusted operating profit of £20.5 million in the six months ended 31 August 2020 (six months ended 31 August 2019: £16.7 million) and £31.7 million in FY20 (FY19: £20.6 million).

2 **Key Performance Indicators**

Senior Management consider a range of financial measures and other metrics in assessing the Bytes Group's performance, and the Directors believe that each of these KPIs provides useful information regarding the Bytes Group's business and operations. Apart from gross profit and adjusted operating profit, the KPIs are based on the Bytes Group's estimates and are not part of the Bytes Group's audited, consolidated financial statements and have not been audited or otherwise reviewed by external auditors, consultants or experts. Moreover, these measures and metrics may be defined or calculated differently by other companies and, as a result, the Bytes Group's KPIs may not be directly comparable to similar measures and metrics calculated by its peers. For further information on the non-IFRS financial measures and KPIs the Bytes Group uses, including a reconciliation of adjusted profit after tax and cash conversion rate to the most directly comparable financial measure calculated in accordance with IFRS, see Part 2 " Presentation of Financial and Other Information".

	Year ended			**Six months ended**	
	28 February 2018(10)	**28 February 2019**	**29 February 2020**	**31 August 2019**	**31 August 2020**(11)
			£'000		
Gross invoiced income(£000)(1)	343,428	549,370	722,154	370,328	505,380
Gross profit (£000)(2)	43,545	63,613	79,217	39,934	46,379
Gross profit growth(3)	-	46.1%	24.5%	-	16.1%
Adjusted operating profit (£000)(4)	11,480	20,643	31,725	16,687	20,489
Adjusted operating profit / gross profit(5)	26.4%	32.5%	40.0%	41.8%	44.2%
Cash conversion rate(6)	109.4%	139.7%	125.9%	4.4%	47.5%
Customers(7)	4,330	4,516	4,929	-	4,976
Average gross profit per customer (£000)(8)	-	14.1	16.1	-	17.2
Renewal rate(9)	-	136%	115%	-	-

Notes:

(1) "Gross invoiced income" is a non-IFRS financial measure that reflects gross income billed to customers adjusted for deferred and accrued revenue items. The Bytes Group will continue to report gross invoiced income as an alternative financial KPI. See table in Part 2 "Presentation of Financial and Other Information" for the reconciliation of gross invoiced income to revenue in the Bytes Group's consolidated statement of profit or loss.

(2) "Gross profit" is defined as revenue less cost of sales and has been extracted from the Bytes Group's historical financial information in Part 11 "Financial Information of Bytes UK", where it appears in the Bytes Group's consolidated statement of profit or loss.

(3) "Gross profit growth" is calculated as the percentage of growth in gross profit from the previous financial period.

(4) "Adjusted operating profit" is a non-IFRS financial measure that excludes from operating profit the effects of significant items of income and expenditure which might have an impact on the quality of earnings, such as acquisition costs, which are attributable to an isolated, non-recurring event. Acquired intangible amortisation and share-based payment charges are also excluded. See table in Part 2 "Presentation of Financial and Other Information" for the reconciliation of adjusted operating profit to operating profit in the Bytes Group's consolidated statement of profit or loss.

(5) "Adjusted operating profit / gross profit" is a non-IFRS financial measure that the Bytes Group defines as adjusted operating profit as a percentage of gross profit.

(6) "Cash conversion rate" is a non-IFRS financial measure that the Bytes Group defines as cash generated from operations minus capital expenditure (together "Free Cash Flow") divided by adjusted operating profit. See table in Part 2 "Presentation of Financial and Other Information" for the reconciliation of the cash conversion rate to operating profit in the Bytes Group's consolidated statement of profit or loss.

(7) "Customers" is an operating metric that the Bytes Group calculates as the number of unique entities transacting greater than £100 in gross profit with the Bytes Group during the relevant financial period.

(8) "Average gross profit per customer" is an operating metric that the Bytes Group defines as total gross profit divided by customers.

(9) "Renewal rate" is an operating metric that the Bytes Group defines as gross profit from existing customers divided by total gross

the Altron Group.

profit in the prior financial period. Existing customer is defined as a customer who has previously transacted with the Bytes Group.

(10) For the year ended 28 February 2018, "Average gross profit per customer" and "Renewal rate" are not presented because of the impact of the acquisition of Phoenix in September 2017.

(11) For the six months ended 31 August 2020 "Customers" and "Average gross profit per customer" have been calculated on a last twelve month ("LTM") basis. As at 31 August 2020, the Bytes Group's LTM gross profit was £85.7 million. LTM (August 2019 to August 2020) figures are calculated as the sum of H121 (1 March 2020 to 31 August 2020) and H220 (1 September 2019 – 29 February 2020). H220 is calculated as the difference between FY20 (1 March 2019 to 29 February 2020) and H120 (1 March 2019 to 31 August 2019).

3 Principal Factors Affecting the Bytes Group's Results of Operations and Financial Condition

The Directors believe that the factors discussed below are the principal factors affecting the Bytes Group's results of operations and financial condition.

3.1 *Market growth and trends*

The Bytes Group's ability to generate gross profit is significantly affected by trends and developments in the software, hardware, services and security segments of the UK IT market. The Bytes Group's business has been supported by robust market growth in these areas in recent years. The increasing shift toward SaaS and infrastructure as a service within the UK software and cloud market has presented the Bytes Group with additional opportunities for growth.

Growth in the Bytes Group's markets is driven by a number of trends, including the increasing strategic significance of technology for businesses as sales and operations are becoming increasingly data driven, and the growing complexity of technology. These trends not only drive spending on software and cloud products but also increase demand for the services of third party technology solutions providers, like the Bytes Group, that are able to help businesses design, buy, implement and manage their software and cloud estates.

In addition, the Bytes Group's ability to generate and increase its gross profit is significantly impacted by the financial position and growth of its key vendor partners and their ability to continue to provide products and services that the Bytes Group's customers want to buy. Gross invoiced income from the Bytes Group's FY20 top ten vendors accounted for £565.9 million in FY20 (FY19: £435.4 million), or 78.4 per cent., of the Bytes Group's total gross invoiced income in FY20 (FY19: 79.3 per cent.). The Bytes Group is a trusted advisor for Microsoft products with nearly 25 years of experience and Microsoft sales have been a significant source of the Bytes Group's gross invoiced income in the past. Microsoft products and services accounted for £439.3 million in FY20 (FY19: £332.3 million), or 60.8 per cent., of the Bytes Group's total gross invoiced income in FY20 (FY19: 60.5 per cent). This was driven largely by strong sales in Office 365, Azure and Microsoft Dynamics products. Microsoft products and services are expected to continue to contribute a significant percentage of the Bytes Group's gross invoiced income going forward.

The table below sets out the Bytes Group's gross invoiced income by its top ten vendors for FY18, FY19 and FY20:

Gross Invoiced Income By Vendor
£'000

	Top Ten Vendors for FY20	**FY18**	**FY19**	**FY20**
1	Microsoft	182,066	332,349	439,337
2	VMware	17,983	24,149	25,774
3	Adobe	12,877	17,446	22,124
4	Checkpoint	8,143	11,020	15,600
5	Mimecast	5,984	10,332	13,904
6	Oracle	4,544	4,125	11,069
7	Citrix	9,925	11,113	10,859
8	Veritas	8,374	11,274	10,757
9	Dell Computer Corporation	1,436	7,842	9,533
10	Sophos	4,533	5,782	6,925
	Total	**255,865**	**435,432**	**565,882**

The fee arrangements between vendor partners and VARs change periodically, and such changes can also have an impact on the Bytes Group's gross profit. The changes to fee structures are generally aimed at incentivising VARs towards targeting key areas of growth identified by vendors, and the Bytes Group has been able to respond effectively to these changes in the past as evidenced by its rate of gross profit growth over the previous three financial years. Changes to fee arrangements by Microsoft have the largest impact on the Bytes Group, and Microsoft makes changes to its fees structure annually with the most recent changes taking effect on 1 October 2020. These changes have reduced general, account services and transaction fees in relation to enterprise agreements with the aim of incentivising VARs to focus on CSP agreements and additional Microsoft products and services with customers. While the reduction in fees related to enterprise agreements may have an adverse impact on the Bytes Group's gross profit generated from these agreements, the Directors believe any such impact will be offset by the Bytes Group's ability to shift focus towards higher margin CSP agreements, as well as by increasing sales of additional products and services to new and existing customers.

3.2 ***Customer numbers and diversification, and share of wallet of existing customers***

The expansion of the Bytes Group’s customer base and its share of wallet of existing customers is a key driver of the Bytes Group's gross profit growth. Gross profit has increased by 81.9 per cent. from £43.5 million in FY18 to £79.2 million in FY20 with average gross profit per customer increasing from £14,100 in FY19 to £16,100 in FY20.

Customer numbers have grown consistently over the three years ended 29 February 2020, increasing from 4,330 in FY18 to 4,929 in FY20. Growth in customer numbers has been across a range of sub sectors and organisation types within the Bytes Group’s public and private sector client bases, and the Bytes Group has low levels of customer concentration with no more than 1.5 per cent. of its gross profit in any of FY18, FY19 or FY20 generated by a single customer. The Directors believe that the diversification of the customer base, including the targeting of both public and private sector organisations, has helped to underpin growth in gross profit. While the average gross invoiced income per customer attributable to public and private sector customers is broadly comparable, private sector customers typically generate higher gross profit margins when compared with public sector customers. Public sector customers typically generate lower gross profit margins than private sector customers due to a combination of pricing caps imposed under some framework agreements, agreed discounts between vendor partners and certain governmental bodies and the competitive nature of the public sector tendering process. Notwithstanding the difference in gross profit margins between private sector and public sector transactions, the Directors believe that a balance of private and public sector customers increases the Bytes Group’s resilience and provides the Bytes Group with opportunities for growth through economic cycles. Average gross profit per private sector customer was approximately £22,000 in FY20 compared to approximately £10,000 for public sector customers.

As client relationships mature, gross profit from those clients tends to increase, emphasising the importance of the Bytes Group's longstanding client relationships. The Bytes Group’s sales and account management teams aim to develop strong relationships with their clients to better understand their IT requirements and to introduce those clients to new IT solutions as technology progresses. The Bytes Group also emphasises upselling and cross-selling of additional products and solutions to its existing customer base. These solutions increasingly include cloud based products which provides an opportunity for the Bytes Group to increase the proportion of its gross profit base derived from annuity-type revenue streams. The provision of solutions such as the Bytes Group’s Quantum tool further embeds its staff with their customers. The Bytes Group's increasing share of wallet of existing customers is reflected in its strong renewal rate, which was 136 per cent. and 115 per cent. in FY19 and FY20, respectively. In FY19 and FY20, respectively, 93.4 per cent. and 92.1 per cent. of the Bytes Group's gross profit was attributable to business with existing customers.

3.3 ***Macroeconomic conditions***

The Bytes Group's results of operations are affected by general macroeconomic conditions and economic cycles, particularly in the United Kingdom.

Macroeconomic conditions and economic cycles affect both the level of demand for software and related IT services and solutions and the prices at which they can be sold. Actual or anticipated improvements in economic conditions generally result in higher IT spending, in particular by the Bytes Group's private sector customers, as businesses expand their operations as a result of higher business volume or otherwise invest in new IT initiatives and technologies. These developments can also help support upward price movements. Conversely, a prolonged slowdown in the global or UK economy or in a particular business or industry sector may cause private sector customers to delay or forgo upgrades or additions to their existing IT environments, licensing new software or purchasing services, which can put downward pressure on prices.

As discussed above, private sector and public sector customers tend to have different financial impacts on the Bytes Group. The Directors believe that having a mix of private and public sector customers increases the Bytes Group's resilience when faced with turbulent economic cycles and provides the Bytes Group with potential opportunities for growth even during periods of general economic downturn. For example, despite the adverse economic conditions resulting from the COVID-19 pandemic, the Directors believe that the need for remote working has increased certain public sector customers' commitment to digital transformation projects on accelerated timelines, which has had a positive impact on the Bytes Group's current year trading.

3.4 *Sales team development and retention*

The continued development of the Bytes Group's sales team and high retention rates are significant factors affecting the Bytes Group's financial performance. As at 30 September 2020, the Bytes Group employed 286 sales people. The Directors expect that the Bytes Group will have two to three graduate intakes per year and believe that continued investment in the sales team, both through new hires and incentivising existing employees, will have a positive impact on the Bytes Group's ability to increase gross profit from both new and existing customers. While the Bytes Group made 29 new sales hires in FY20, it has made 51 additions to its sales teams in FY21 through 11 November 2020.

The Directors believe that there is a strong correlation between the productivity and tenure of sales people at the Bytes Group. In FY20, average annual gross profit per account manager was £130,000 per annum for account managers with 0 to 2 years' experience (71 account managers), increasing to £378,000 for those with 2 to 4 years' experience (33 account managers); to £567,000 for those with 4 to 6 years' experience (22 account managers); to £827,000 for those with 6 to 8 years' experience (16 account managers) and to £928,000 for those with 8 or more years' experience (31 account managers). Productivity of the sales team as a whole has also increased between FY18 and FY20 with gross profit per account manager increasing from £256,000 in FY18 to £311,000 in FY20.

Senior Management have made the fostering of a positive working environment a key priority of the Bytes Group. This includes a structured approach to recruitment as well as fostering a positive employee culture. It also includes an emphasis on CSR objectives as well as a focus on the continued development of its staff, including ongoing training to keep skills current and initiatives such as its "7 steps to a million" sales director framework, designed to enable a member of the Bytes Group's sales team who has no prior IT or sales experience to deliver £1 million of gross profit in a financial year within 7 years of starting working at the Bytes Group. The Directors believe that this emphasis on employee culture underpins the strong retention rates among its senior sales staff. Since FY15, of Bytes Software Services' 50 top achieving (in terms of gross profit generation) salespeople, only one has left and not returned to the Bytes Group.

3.5 *Cost management*

The Bytes Group seeks to tightly manage its administrative costs, including, over the course of the three years ended 29 February 2020, through the automation of processes and the introduction of new workflow practices that have improved order processing. This has contributed to growth of the Bytes Group's operating profit from £10.2 million in FY18 to £29.8 million in FY20 and from £15.8 million in the six months ended 31 August 2019 to £19.5 million in the six months ended 31 August 2020.

Employment costs comprise the largest proportion of the Bytes Group's administrative cost base. These costs include base salaries and commissions and bonuses. Staff costs are accounted for as administrative expenses, with the exception of costs relating to staff who are deemed to be directly associated with the provision of services, which are accounted for in cost of sales. Staff costs attributable to administrative expenses as a percentage of gross profit declined from 62.2 per cent. in FY18 to 51.6 per cent. in FY20 and from 51.1 per cent. in the six months ended 31 August 2019 to 48.0 per cent. in the six months ended 31 August 2020. In part, this is because recruitment of new sales staff has largely been focused on new graduates. Base salaries for entry level hires are lower than for more experienced sales staff, and their commission expense is effectively lower generally due to entry level hires not selling as much as more experienced sales staff. Total staff costs can be broken down between employee remuneration (56.3 per cent. of staff costs in FY20), commissions and bonus payments (31.4 per cent. in FY20), National Insurance contributions (9.8 per cent. in FY20) and pension contributions and share-based payments (2.5 per cent. in FY20). As a result, while the Bytes Group's employee numbers have increased, its staff costs have not increased by the same proportion as revenue, and as base salary levels are not directly linked to gross profit growth, these do not grow directly in proportion to gross profit, which is another factor in the decline of staff costs relative to gross profit from FY18 to FY20 and in the six months ended 31 August 2020.

Other administrative expenses as a percentage of gross profit have declined steadily over the last three financial years from 11.6 per cent. in FY18 to 9.6 per cent. in FY19 to 7.5 per cent. in FY20 although they increased slightly from 6.2 per cent. in the six months ended 31 August 2019 to 7.0 per cent. in the six months ended 31 August 2020. Office and building costs are the largest area of expenditure within other administrative costs alongside travel and subsistence and professional costs. The increase in the six months ended 31 August 2020 compared to the previous corresponding period was primarily a result of increased costs relating to IT systems and software support as a result of the shift to home working during the lockdown restrictions put in place during the early months of the COVID-19 pandemic.

The Bytes Group reported depreciation and amortisation of £1.2 million, £2.3 million and £2.6 million in FY18, FY19 and FY20, respectively, and £1.3 million in each of the six months ended 31 August 2019 and 2020. Depreciation and amortisation expense as a percentage of gross profit was 2.7 per cent., 3.6 per cent. and 3.3 per cent. in FY18, FY19 and FY20, respectively, and 3.2 per cent. and 2.9 per cent. in the six months ended 31 August 2019 and 2020, respectively. The Bytes Group does not employ a capital intensive business model and as a result of this its depreciation and amortisation expenses, excluding the amortisation of acquired intangibles, are relatively low and relate principally to investments in the Bytes Group's properties. In FY18, FY19 and FY20 the Bytes Group reported amortisation of acquired intangibles of £0.7 million, £1.6 million and £1.6 million respectively. This charge is almost entirely comprised of amortisation related to the acquisition of Phoenix during FY18. The Bytes Group excludes amortisation of acquired intangibles from adjusted operating profit.

The development of the Bytes Group’s e-commerce platform was expensed through the income statement rather than being capitalised. The development of the Bytes Group’s proprietary Quantum software tool was also expensed.

The Directors believe that the improving efficiency of the Bytes Group's model is demonstrated by the increase to the adjusted operating profit to gross profit ratio over the course of the three years ended 29 February 2020 and in the six months ended 31 August 2020. The adjusted operating profit to gross profit ratio increased from 26.4 per cent. in FY18 to 32.5 per cent. in FY19 before increasing further to 40.0 per cent. in FY20, and it increased from 41.8 per cent. in the six months ended 31 August 2019 to 44.2 per cent. in the six months ended 31 August 2020. The Directors believe that the adjusted operating profit to gross profit ratio will average around the FY20 level over the medium term.

As a result of becoming a stand-alone listed group, the Directors expect that certain of the Bytes Group's costs and expenses will increase in the current and subsequent financial years. These costs may include additional audit, corporate governance, compliance and risk management expenses, among others. Costs related to the Demerger, such as professional fees, stamp duty and underwriting commissions are also expected, most of which will be reflected in FY21. In addition, the Bytes Group's share-based payments include a cash settled share-based payment incentive scheme and equity settled share-based payment incentive scheme, and the Bytes Group incurred share-based payment charges of £0.1 million, £0.3 million and £0.3 million, in FY18, FY19 and FY20, respectively. The Directors expect that share-based payment charges will increase following the completion of the Demerger due to new share-based incentive arrangements being put in place.

3.6 *Levels of cash generation and conversion*

The Bytes Group has a strong track record of cash generation and high levels of cash conversion. The Bytes Group reported cash generated from operations of £12.8 million, £29.9 million and £41.7 million in FY18, FY19 and FY20, respectively. As noted above, the Bytes Group’s business model is not capital intensive. The Bytes Group’s capital expenditure (including software development costs) totalled £0.2 million, £1.1 million and £1.7 million in FY18, FY19 and FY20, respectively. The strong levels of cash generation emphasise the benefits of a broad customer base which helps to minimise potential credit risk. The Bytes Group had a cash conversion rate of 109.4 per cent., 139.7 per cent. and 125.9 per cent. in FY18, FY19 and FY20 respectively. The Directors believe that a cash conversion rate of approximately 100 per cent. is likely to be sustainable for the Bytes Group in the coming years.

3.7 *Seasonality*

The Bytes Group's results are subject to seasonality effects with seasonal peaks in gross profit primarily driven by the financial year ends of its key customer cohorts which influence purchase decisions and payment timings. The first peak in gross profit occurs across March and April driven by public sector sales as public sector customers look to fully utilise IT budgets ahead of the public sector financial year end in March, or alternatively seek to deploy new budgets approved in April. To a lesser extent, another peak occurs in June and July as a result of year-end campaigns by Microsoft, the Bytes Group's most significant vendor partner, the financial year of which ends on 30 June. A final gross profit peak occurs in December due to Microsoft's financial half year end and the financial year-ends of many other vendors coinciding. As a result of the above, marginally more gross profit is typically generated in the first half of the Bytes Group's financial year.

These seasonal trends also have an impact on the Bytes Group's cash flow, which is primarily driven by changes in gross invoiced income with cash typically peaking as payments are collected one month following periods of strong sales. Cash flow is also impacted by customer mix with public sector customers typically paying on slightly shorter payment cycles when compared to private sector customers. Cash levels are generally at their highest in April and July, which are the months following the typical public sector and Microsoft year ends, respectively. Cash levels then decline in May and August as payments are made to suppliers relating to customer transactions completed in the previous months. Cash historically reaches a low point in September, as a result of the typically higher levels of vendor payments across August, lower gross invoiced income over summer months and a higher proportion of private sector customers in the summer months with slightly longer payment cycles. In the second half of the financial year cash typically steadily increases as a result of increased activity following the summer months ahead of Microsoft's half year end in December and the financial year end of other vendors. Increased sales in December normally drive strong cash collections over January and February which are also relatively active months in terms of public sector trading. This typically results in significantly higher cash conversion in the second half of the Bytes Group's financial year relative to the first half. The market shift towards cloud based solutions has helped to mitigate these seasonality effects by enabling the Bytes Group to increase the proportion of revenue streams which is typically billed on a monthly basis.

4 Current trading and prospects

In the period since 31 August 2020, the Bytes Group's business has continued to perform in line with management's expectations and following the good growth reported in the first six months of FY21, the Bytes Group has continued to achieve double digit percentage growth in gross profit through September and October 2020 compared with the same months in 2019, albeit below the 16.1 per cent. gross profit growth achieved in the first six months of FY21. The Bytes Group's public sector business has continued to perform well and to offset any softening in spend by private sector customers, and the Bytes Group has also won a number of significant new Enterprise Customers, including a major SAM contract for a new FTSE 100 customer. The early performance of the Bytes Group's new sales team intake has been in line with management's expectations, and the Bytes Group has continued to invest in additional headcount as it prepares to operate as a listed company and to take full advantage of the expected strong growth opportunities in the coming years.

As the COVID-19 pandemic continues, there is uncertainty as to the economic impact in the wider economy over the coming months. The Directors believe the Bytes Group's business performance has been resilient through the first six months of FY21, but the second half will not see a repeat of some of the factors that made the first half growth as strong as it was. The Directors expect the Bytes Group to continue to benefit from its public sector exposure, but anticipate that private sector spending will be less expansive in the very near term.

The Directors believe that there are important long-term imperatives for the Bytes Group's customers, including the shift to home working, the rising adoption of cloud-based software, and the wider digital transformation agenda, which they anticipate will continue to be important drivers of IT spend and to have a positive impact on the Bytes Group's performance over the medium and longer term. The Bytes Group will continue to work closely with its key vendor partners to help their mutual customers use technology to adapt efficiently to these imperatives and to gain competitive advantage from them.

Even in a more challenging economic climate, the Directors believe the opportunity to continue to win new customers and increase share of wallet with existing customers remains as strong as ever, and will continue to invest in the business and its people in order to implement the Bytes Group's long term strategy for growth.

5 *Comparability of Results*

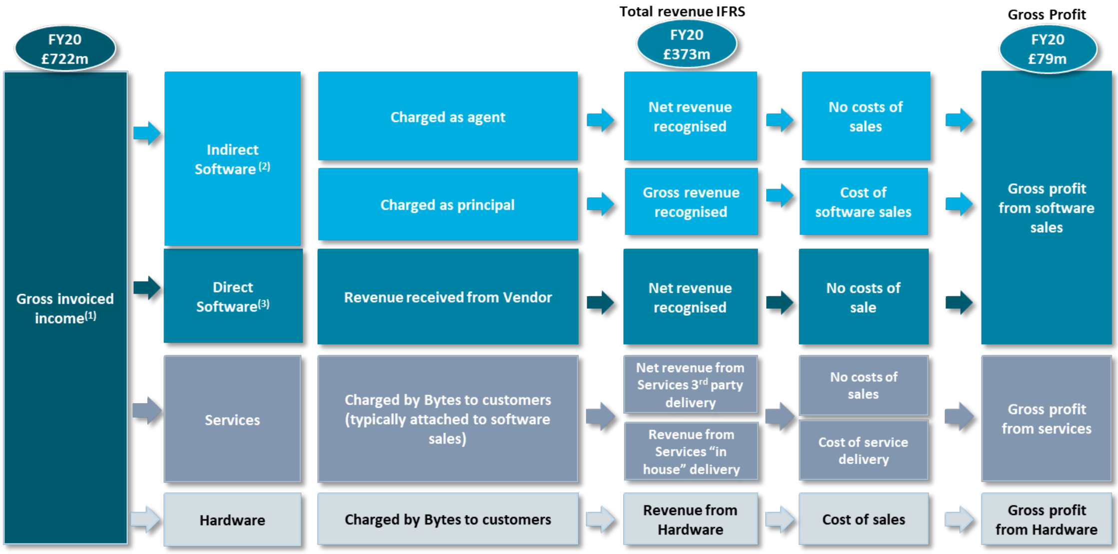
On 28 September 2017, the Bytes Group acquired 100 per cent. of the issued share capital of Blenheim Group Limited, the holding company of Phoenix, for total cash consideration of £35.9 million. The Bytes Group's audited consolidated financial information includes the operating results of the Phoenix business only from that date. Therefore, the comparability of the Bytes Group's results of operations for FY18 with subsequent financial years is significantly impacted as it includes only a partial year's trading results for the Phoenix business.

In FY18, the Bytes Group incurred acquisition related costs in respect of its acquisition of the Phoenix business. These costs were incurred only in FY18 and so have been reported under nonunderlying items in the Bytes Group's audited consolidated financial information, so as not to distort the underlying performance of the group in FY18 when compared to other periods reported within the Bytes Group's audited consolidated historical financial information. Non-underlying items are defined as those items that, by virtue of their nature, size or expected frequency, warrant separate additional disclosure in the historical financial information in order to fully understand the underlying performance of the Bytes Group.

6 Description of Key Line Items

6.1 *Revenue*

The chart below sets out the Bytes Group's revenue model and the revenue recognition principles applied to each of its product categories.



(1) Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items.

(2) Indirect Software is invoiced by the Bytes Group.

(3) Direct Software is invoiced directly by the vendor.

The Bytes Group's revenue model is comprised of software sales (which includes indirect and direct software sales), services sales, and hardware sales.

Software sales: With respect to software sales, the Bytes Group acts as a principal in certain contracts with customers and as an agent in others, depending on the nature and scope of the contract, and the Bytes Group's management applies judgment in determining whether it acts as an agent or as a principal in these contracts.

Direct software sales are invoiced directly by the vendor, and the Bytes Group is considered to be acting as agent because it does not control the product or service prior to its delivery to the customer. Revenue is received from the vendor, and is recognised as net revenue; no cost of sales is incurred in connection with direct software sales.

Indirect software sales are invoiced by the Bytes Group and are charged as an agent or principal. When charged as an agent, net revenue is recognised; however, when charged as a principal, gross revenue is recognised and cost of sales is incurred. For indirect software sales related to cloud based licences and licences with critical updates, the Bytes Group is considered to be acting as agent, because these products require the ongoing involvement of the vendor. For indirect software sales related to perpetual licences, subscription licences and software assurance, the Bytes Group is considered to be acting as principal, because the Bytes Group has primary responsibility for fulfilling the customer's order, assumes inventory risk in the event of cancellation of the sale, has discretion to establish the selling price and is not rewarded in the form of commission.

With the exception of cloud based licences, the Bytes Group recognises all software revenue when its performance obligations are fully satisfied, being the point the licences are delivered and control of the software passes to the customer. For cloud based licences, the Bytes Group has ongoing performance obligations with respect to customer usage of the software, and revenue is therefore recognised in the month the customer usage takes place based on an estimate of the amount due, with any adjustments being made in the following month.

Services sales: Internally provided services comprise the provision of consulting services using the Bytes Group's internal resources and include helpdesk support, cloud migration, implementation of security solutions, infrastructure and software asset management services. The Bytes Group recognises revenue from internally provided services on a gross basis, as it is deemed to be acting as principal in these transactions. The Bytes Group recognises this revenue over time, based on contracts entered with customers that cover a specific period during which the services are provided. The revenue is measured by reference to the hours expended to the measurement date and the day rates specified in the relevant contract.

For externally provided services through third-party contractors, the Bytes Group is deemed to be acting as agent and recognises revenue on a net basis (i.e., net of amounts paid to the third-party service providers). Externally provided services revenue is recognised at the point the contract with the customer is signed, because the Bytes Group's performance obligations to the customer are fully satisfied at that point with the remaining ongoing performance obligations to be fulfilled by the third-party service provider.

Hardware sales: Hardware sales comprise the sale of hardware items such as servers, laptops and devices. For sales of hardware, the Bytes Group is deemed to be acting as principal and revenue is recognised on a gross basis with costs of sales incurred. Revenue from hardware sales is recognised on delivery when control has passed to the buyer.

6.2 ***Cost of sales***

The Bytes Group's software sales are either indirect or direct. When sales are indirect and charged as principal, gross revenue is recognised and cost of sales is incurred. Cost of sales for services includes a third party service delivery cost, and cost of sales for hardware includes the cost of goods sold. Cost of sales also includes staff costs relating to staff who are deemed to be directly associated with the provision of services.

The Bytes Group earns rebates from key vendors and distributors on resales of their products, and such payments are usually based on a percentage of the purchase value with pre-agreed commercial terms between the Bytes Group and the respective vendor or distributor. The Bytes Group recognises rebate income as a credit to cost of sales in the period it is earned, and it therefore impacts gross profit.

6.3 ***Administrative expenses***

Administrative expenses comprises staff costs (including both base remuneration and commissions), depreciation, amortisation and other administrative expenses (primarily related to office costs (IT and office systems), building costs, recruitment costs, travel costs and professional fees).

6.4 ***Finance income/(costs)***

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and the unwinding of the discount on lease liabilities, that are recognised in profit or loss using the effective interest method.

6.5 ***Income tax expense***

Income tax expense for the period is the tax payable on the current period’s taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

7 **Results of Operations**

The following discussion and analysis of the Bytes Group's results of operations and financial condition for each of the financial years ended 28 February 2018, 28 February 2019 and 29 February 2020 and for the six months ended 31 August 2019 and 2020 is based on the Bytes Group's historical results.

Consolidated statement of profit or loss

	Year ended			Six months ended	
	28 February 2018	**28 February 2019**	**29 February 2020**	31 August 2019	31 August 2020
			£'000		
				(unaudited)	
Revenue	321,892	349,658	373,103	205,045	221,222
Cost of sales	(278,347)	(286,045)	(293,886)	(165,111)	(174,843)
Gross profit	**43,545**	**63,613**	**79,217**	**39,934**	**46,379**
Administrative expenses	(33,307)	(44,918)	(49,373)	(24,172)	(26,849)
Operating profit	**10,238**	**18,695**	**29,844**	**15,762**	**19,530**
Finance income	20	85	158	85	24
Finance costs	(58)	(1)	(82)	(41)	(40)
Finance income/(costs) - net	(38)	84	76	44	(16)
Profit before taxation	**10,200**	**18,779**	**29,920**	**15,806**	**19,514**
Income tax expense	(2,111)	(3,643)	(5,762)	(3,074)	(3,757)
Profit for the period attributable to owners of the Company	**8,089**	**15,136**	**24,158**	**12,732**	**15,757**
Basic earnings per Ordinary Share	809	1,514	2,416	1,273	1,576
Diluted earnings per Ordinary Share	728	1,362	2,174	1,146	1,418

7.1 Six months ended 31 August 2019 compared with six months ended 31 August 2020

7.1.1 *Revenue*

The following table sets out the Bytes Group's revenue by product type for the six months ended 31 August 2019 and 2020:

	Six months ended 31 August	
	2019	**2020**
	£'000	***£'000***
	Unaudited	
Software	182,588	197,211
Hardware	14,048	15,251
Services	8,409	8,760
Total	**205,045**	**221,222**

Revenue increased from £205.0 million for the six months ended 31 August 2019 to £221.2 million for the six months ended 31 August 2020, representing an increase of 7.9 per cent. The increase was primarily a result of an increase in sales, predominantly sales of software products, which accounted for 90.4 per cent. of the increase in revenue. The growth in software sales was driven primarily by (i) strong first quarter growth in the Bytes Group's private sector business during the early months of the COVID-19 pandemic and an acceleration of customer IT spend in response to the rapid shift to home working due to lockdown restrictions; and (ii) strong growth in the Bytes Group's public sector business that further accelerated in the second quarter of the period driven by three significant transactions with central government organisations. The growth in the period included a combination of increased spend and activity by the Bytes Group's existing customer base as well as a number of new customer wins in both the private and public sectors.

Due primarily to the ongoing shift to cloud based products, a higher proportion of the Bytes Group's revenue was recognised on an agency basis and therefore the rate of revenue growth was lower than the rate of gross invoiced income growth for the period. The following table sets out the Bytes Group's gross invoiced income by product type for the six months ended 31 August 2019 and 2020:

	Six months ended 31 August	
	2019	**2020**

	£'000	£'000
	Unaudited	
Software	343,386	474,668
Hardware	14,048	15,251
Services	12,894	15,461
Total	**370,328**	**505,380**

Gross invoiced income increased from £370.3 million for the six months ended 31 August 2019 to £505.4 million for the six months ended 31 August 2020, representing an increase of 36.5 per cent. The increase was primarily a result of an increase in software sales, which accounted for 97.2 per cent. of the increase in gross invoiced income for the period.

7.1.2 *Cost of sales*

Cost of sales increased from £165.1 million for the six months ended 31 August 2019 to £174.8 million for the six months ended 31 August 2020, representing an increase of 5.9 per cent. The increase was primarily a result of increased sales of software products, services and hardware in the corresponding period.

7.1.3 *Gross Profit*

Gross profit increased from £39.9 million for the six months ended 31 August 2019 to £46.4 million for the six months ended 31 August 2020, representing an increase of 16.1 per cent. which was driven primarily by the increase in gross invoiced income and revenue for the reasons discussed above as well as an increase in rebates earned during the period.

The Bytes Group earned rebates of £14.7 million for the six months ended 31 August 2019, which decreased to £14.1 million for the six months ended 31 August 2020, representing a decrease of 4.4 per cent. Rebates declined as a percentage of gross profit from 36.8 per cent. in the six months ended 31 August 2019 to 30.3 per cent. in the six months ended 31 August 2020, primarily as a result of the effects of changes made to the Microsoft rebate scheme applicable to all VARs.

7.1.4 *Administrative expenses*

The following table sets out the Bytes Group's administrative expenses for the six months ended 31 August 2019 and 2020.

	Six months ended 31 August	
	2019	**2020**
	£000	
Staff costs	(20,403)	(22,250)
Other administrative expenses	(2,495)	(3,259)
Depreciation	(469)	(535)
Amortisation	(805)	(805)
Total administrative expenses	**(24,172)**	**(26,849)**

Total administrative expenses increased from £24.2 million for the six months ended 31 August 2019 to £26.8 million for the six months ended 31 August 2020, representing an increase of 11.1 per cent., which was due primarily to increases in staff costs and other administrative expenses. Despite the overall increase, total administrative expenses as a percentage of gross profit decreased from 60.5 per cent. for the six months ended 31 August 2019 to 57.9 per cent. for the six months ended 31 August 2020.

Staff costs are the largest component of the Bytes Group's administrative expenses, representing 84.4 per cent. and 82.9 per cent. of total administrative expenses for the six months ended 31 August 2019 and 2020, respectively. Staff costs attributable to administrative expenses increased from £20.4 million for the six months ended 31 August 2019 to £22.3 million for the six months ended 31 August 2020, representing an increase of 9.1 per cent. The increase in staff costs in the period was primarily a result of increased average headcount from 587 for the six months ended 31 August 2019 to 627 for the six months ended 31 August 2020, which in turn resulted in an increase in overall salaries and commissions paid. Increased sales in the period also contributed to the higher commissions paid.

Other administrative expenses increased from £2.5 million for the six months ended 31 August 2019 to £3.3 million for the six months ended 31 August 2020, representing an increase of 32.0 per cent. The increase was primarily a result of increased costs relating to IT systems and software support as a result of the shift to home working during the lockdown restrictions put in place during the early months of the COVID-19 pandemic and was partially offset by reductions in travel and entertainment expenses.

7.1.5 *Finance income/(costs)*

Net finance income decreased from £0.04 million for the six months ended 31 August 2019 to a £0.02 million net finance cost for the six months ended 31 August 2020. This decrease in finance income was primarily due to less interest received on cash balances on deposit.

7.1.6 *Income tax expense*

Income tax expense increased from £3.1 million for the six months ended 31 August 2019 to £3.8 million for the year ended 31 August 2020, representing a year-on-year increase of 22.6 per cent. The increase was primarily driven by the Bytes Group's taxable revenue growth.

For the six months ended 31 August 2019 and 31 August 2020, the Bytes Group had an effective tax rate of 19.5 per cent. and 19.3 per cent., respectively.

7.2 Year ended 28 February 2018 compared with year ended 28 February 2019 and year ended 29 February 2020

7.2.1 *Revenue*

The following table sets out the Bytes Group's revenue by product type for the years ended 28 February 2018, 28 February 2019 and 29 February 2020:

	Year ended		
	28 February 2018	**28 February 2019**	**29 February 2020**
	£'000	***£'000***	***£'000***
Software	300,728	310,235	326,439
Hardware	11,231	25,272	29,576
Services	9,933	14,151	17,088
Total	**321,892**	**349,658**	**373,103**

Revenue increased from £321.9 million for the year ended 28 February 2018 to £349.7 million for the year ended 28 February 2019 and to £373.1 million for the year ended 29 February 2020, representing year-on-year increases of 8.6 per cent. and 6.7 per cent., respectively, primarily as a result of increased sales of software products and, in the year ended 28 February 2019, increased sales of hardware.

Software revenue increased from £300.7 million for the year ended 28 February 2018 to £310.2 million for the year ended 28 February 2019 and to £326.4 million for the year ended 29 February 2020, representing year-on-year increases of 3.2 per cent. and 5.2 per cent., respectively. The growth in sales of software products accounted for 34.2 per cent. and 69.1 per cent. of the increase in revenue in the years ended 28 February 2019 and 29 February 2020, respectively. The growth in software sales was driven primarily by an increase in full-time sales staff from an average of 170 in the financial year ended 28 February 2018 to 255 in the financial year ended 29 February 2020, as well as favourable macroeconomic conditions leading to increased IT spend by the Bytes Group's customers, particularly on cloud based products. The increase between the financial years ended 28 February 2018 and 2019 was also due to the effect of a full-year's trading of the Phoenix business, which was acquired in September 2017.

Due primarily to the ongoing shift to cloud based products, a higher proportion of the Bytes Group's revenue was recognised on an agency basis in each successive year, and its year-on-year rate of revenue growth was therefore lower than its year-on-year rate of gross invoiced income growth for the corresponding periods. The following table sets out the Bytes Group's gross invoiced income by product type for the years ended 28 February 2018, 28 February 2019 and 29 February 2020.

	Year ended		
	28 February 2018	**28 February 2019**	**29 February 2020**

	£'000	£'000	£'000
Software	315,121	500,925	665,147
Hardware	11,231	25,272	29,576
Services	17,076	23,173	27,431
Total	**343,428**	**549,370**	**722,154**

Gross invoiced income increased from £343.3 million for the year ended 28 February 2018 to £549.4 million for the year ended 28 February 2019 and to £722.2 million for the year ended 29 February 2020, representing year-on-year increases of 60.0 per cent. and 31.5 per cent., respectively. The increases in each year reflect principally the Bytes Group's increase in sales, primarily in software products which accounted for 90.2 per cent. and 95.0 per cent. of the increase in gross invoiced income in the years ended 28 February 2019 and 29 February 2020, respectively.

7.2.2 ***Cost of sales***

Cost of sales increased from £278.3 million for the year ended 28 February 2018 to £286.0 million for the year ended 28 February 2019 and to £293.9 million for the year ended 29 February 2020, representing year-on-year increases of 2.8 per cent. and 2.8 per cent., respectively. The increases in each year were primarily a result of increased sales of software and hardware products in the corresponding year.

7.2.3 ***Gross Profit***

Gross profit increased from £43.5 million for the year ended 28 February 2018 to £63.6 million for the year ended 28 February 2019 to £79.2 million for the year ended 29 February 2020, representing year-on-year increases of 46.1 per cent. and 24.5 per cent., respectively. The increase in gross profit was driven primarily by the increase in gross invoiced income and revenue for the reasons discussed above as well as an increase in rebates earned during the period.

The Bytes Group earned rebates of £15.1 million for the year ended 28 February 2018, £21.5 million for the year ended 28 February 2019 and £24.6 million for the year ended 29 February 2020, representing year-on-year increases of 42.4 per cent. and 14.4 per cent., respectively, which were driven primarily by increased sales. Over the same period rebates have declined as a percentage of gross profit from 34.7 per cent. in the year ended 28 February 2018 to 31.1 per cent. in the year ended 29 February 2020, which was primarily a result of changes made to the Microsoft rebate scheme applicable to all VARs.

7.2.4 ***Administrative expenses***

The following table sets out the Bytes Group's administrative expenses for the years ended 28 February 2018, 28 February 2019 and 29 February 2020.

	Year ended		
	28 February 2018	**28 February 2019**	**29 February 2020**
		£000	
Staff costs	(27,092)	(36,540)	(40,885)
Other administrative expenses	(5,052)	(6,106)	(5,904)
Depreciation	(492)	(662)	(974)
Amortisation	(671)	(1,610)	(1,610)
Total administrative expenses	**(33,307)**	**(44,918)**	**(49,373)**

Total administrative expenses increased from £33.3 million for the year ended 28 February 2018 to £44.9 million for the year ended 28 February 2019 to £49.4 million for the year ended 29 February 2020, representing year-on-year increases of 34.9 per cent. and 9.9 per cent., respectively, due primarily to increases in staff costs. Despite the overall increase, total administrative expenses as a percentage of gross profit decreased from 76.5 per cent. for the year ended 28 February 2018 to 70.6 per cent. for the year ended 28 February 2019 and further decreased to 62.3 per cent. for the year ended 29 February 2020.

Staff costs are the largest component of the Bytes Group's administrative expenses, representing 81.3 per cent., 81.3 per cent. and 82.8 per cent. of total administrative expenses for the years ended 28 February

2018, 28 February 2019 and 29 February 2020, respectively. Staff costs attributable to administrative expenses increased from £27.1 for the year ended 28 February 2018 to £36.5 million for the year ended 28 February 2019 to £40.9 million for the year ended 29 February 2020, representing year-on-year increases of 34.9 per cent. and 11.9 per cent., respectively. The year-on-year increases in staff costs were driven primarily by an increase in headcount from an average headcount of 392 for the year ended 28 February 2018 to 597 for the year ended 29 February 2020, which in turn resulted in an increase in overall salaries and commissions paid. For the year ended 28 February 2019, the majority of the headcount increase was attributable to the full year effect of the acquisition of the Phoenix business. Increased sales in the period also contributed to the higher commissions paid.

Other administrative expenses increased from £5.1 million for the year ended 28 February 2018 to £6.1 million for the year ended 28 February 2019, representing an increase of 19.6 per cent., which was primarily a result of increased office and building costs due to the full year effect of the acquisition of the Phoenix business. Other administrative expenses decreased to £5.9 million for the year ended 29 February 2020, representing a decrease of 3.3 per cent. from the previous year, which was primarily a result of lower building costs (following the adoption of IFRS 16), marketing costs, recruitment costs (following a recruitment drive at Phoenix during FY19) and motor lease costs, partially offset by an increase in office costs.

7.2.5 *Finance income/(costs)*

For the year ended 28 February 2018 the Bytes Group had finance costs of £0.04 million compared to finance income of £0.08 million for the year ended 28 February 2019, which was primarily a result of increased interest received on cash balances on deposit. Finance income decreased slightly to £0.08 million for the year ended 29 February 2020 primarily due to the interest expense component of lease liability as a result of the adoption of IFRS 16, which was partially offset by increased interest income on cash balances on deposit .

7.2.6 *Income tax expense*

Income tax expense increased from £2.1 million for the year ended 28 February 2018 to £3.6 million for the year ended 28 February 2019 to £5.8 million for the year ended 29 February 2020, representing year-on-year increases of 71.4 per cent. and 61.1 per cent., respectively. The increase was primarily driven by the Bytes Group's taxable revenue growth.

For the years ended 28 February 2018, 28 February 2019 and 29 February 2020, the Bytes Group had an effective tax rate of 20.7 per cent., 19.4 per cent. and 19.3 per cent., respectively, compared to a statutory rate of 19 per cent., 19 per cent. and 19 per cent., respectively. The Directors expect the Bytes Group's income tax expense will be in line with the UK corporation tax rate in the medium term.

8 Liquidity and Capital Resources

8.1 Overview

The Bytes Group's principal liquidity needs are to fund the day-to-day requirements of its operations and, when deemed appropriate, pay dividends. The Bytes Group finances its operations primarily through cash generated from operating activities, and cash is held primarily in pounds sterling.

8.2 *Cash Flows*

The following table sets out the Bytes Group's consolidated statement of cash flows.

	Year ended			6 months ended	
	28 February 2018	28 February 2019	29 February 2020	31 August 2019	31 August 2020
			£'000		
Cash flows from operating activities				*(unaudited)*	
Profit before taxation	10,200	18,779	29,920	15,806	19,514
Adjustments for:					
Depreciation and amortisation	1,163	2,272	2,584	1,274	(1,340)
Loss on disposal of property, plant and equipment	4	3	10	-	18
Non-cash employee benefits expense -	144	338	271	120	154

share based payments					
Finance (income)/costs - net	38	(84)	(76)	(44)	16
(Increase)/decrease in contract assets	(1,202)	(4,750)	2,971	882	(2,327)
Increase in trade and other receivables	(13,808)	(8,291)	(22,496)	(6,358)	(22,174)
(Increase)/decrease in inventories	(1,031)	1,567	(594)	(631)	(58)
Increase/(decrease) in trade and other payables	17,363	16,257	27,586	(15,463)	14,109
Increase/(decrease) in contract liabilities	87	3,801	1,523	5,665	(545)
Cash generated from operations	**12,784**	**29,892**	**41,699**	**1,251**	**10,047**
Interest received	20	85	158	85	24
Interest paid	(58)	(1)	(2)	(1)	(2)
Income taxes paid	(1,934)	(3,081)	(4,784)	(2,099)	(6,444)
Net cash inflow (outflow) from operating activities	**10,812**	**26,895**	**37,071**	**(764)**	**3,625**
Cash flows from investing activities					
Payments for acquisition of subsidiary, net of cash acquired	(31,938)	-	-	-	-
Payments for property, plant and equipment	(227)	(1,063)	(1,745)	(521)	(322)
Net cash outflow from investing activities	**(32,165)**	**(1,063)**	**(1,745)**	**(521)**	**(322)**
Cash flows from financing activities					
Principal elements of lease payments	-	-	(207)	(70)	(132)
Dividends paid to company shareholders	-	(6,500)	(13,800)	(4,800)	(18,600)
Net cash outflow from financing activities	-	**(6,500)**	**(14,007)**	**(4,870)**	**(18,732)**
Net increase in cash and cash equivalents	**(21,353)**	**(19,332)**	**(21,319)**	**(6,155)**	**(15,429)**
Cash and cash equivalents at the beginning of the financial year	28,059	6,706	26,038	26,038	47,357
Cash and cash equivalents at end of year	**6,706**	**26,038**	**47,357**	**19,883**	**31,928**

8.2.1 *Cash flows from Operating Activities*

Net cash from operating activities increased from an outflow of £0.8 million for the six months ended 31 August 2019 to an inflow of £3.6 million for the six months ended 31 August 2020, which was primarily a result of increases in trade and other payables and profit before taxation, partially offset by an increase in trade and other receivables and income taxes paid. The increase in income taxes paid for the six months ended 31 August 2020 was primarily due to a change in payment schedules made by HMRC.

Net cash generated from operating activities increased from £10.8 million for the year ended 28 February 2018 to £26.9 million for the year ended 28 February 2019, representing a year-on-year increase of 149.1 per cent.. This increase was primarily due to increases in profit before taxation and depreciation and amortisation, a decrease in inventories compared to an increase in the previous financial year and a decrease in trade and other receivables. This was partially offset by an increase in income taxes paid as a result of the increase in profit before tax.

Net cash generated from operating activities increased from £26.9 million for the year ended 28 February 2019 to £37.1 million for the year ended 29 February 2020, representing a year-on-year increase of 37.8 per cent. The increase primarily reflects increases in profit before taxation and trade and other payables, which was partially offset by an increase in trade and other receivables and an increase in income taxes paid as a result of the increase in profit before tax.

8.2.2 *Cash flows from Investing Activities*

Net cash outflow from investing activities decreased by 40.0 per cent. from £0.5 million for the six months ended 31 August 2019 to £0.3 million for the six months ended 31 August 2020 as a result of a decrease in payments for property, plant and equipment.

Net cash outflow used from investing activities decreased by 96.6 per cent. from £32.2 million for the year ended 28 February 2018 to £1.1 million for the year ended 28 February 2019, primarily due to payment for the acquisition of the Phoenix business in September 2017, and then increased by 54.5 per cent. to £1.7 million for the year ended 29 February 2020 primarily as a result of an increase in payments for property, plant and equipment due to the refurbishment and modernisation of the Phoenix office.

8.2.3 ***Cash flows from Financing Activities***

Net cash outflow from financing activities increased from £4.9 million for the six months ended 31 August 2019 to £18.7 million for the six months ended 31 August 2020, as a result of an increase in dividends paid by Bytes UK to its shareholder, Bytes SA.

Net cash used from financing activities increased from nil for the year ended 28 February 2018 to £6.5 million for the year ended 28 February 2019 and to £14.0 million for the year ended 29 February 2020, as a result of dividends of £6.5 million and £13.8 million paid to Bytes UK's shareholder, Bytes SA, in the years ended 28 February 2019 and 29 February 2020, respectively. No dividends were declared or paid in the year ended 28 February 2018.

8.3 ***Contractual Obligations***

The following table sets out the Bytes Group's contractual obligations as at the date of this Prospectus. The operating lease obligations represent future minimum rentals payable under non-cancellable operating leases for office space in Reading and Manchester. Under the terms of the Demerger SPA, the Company is required to pay £14.3 million in cash and issue the Bytes UK Management Consideration Shares to Bytes UK Management.

	Total	**Less than 1 year**	**1 - 5 years**	**More than 5 years**
Contractual obligation		***£'000***		
Operating lease obligations	1,797	302	920	575
Demerger SPA	14,300	14,300	-	-
Total	16,097	14,602	920	575

8.4 ***Capital Expenditure***

The table below sets out the Bytes Group's capital expenditure for the years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the six months ended 31 August 2019 and 2020.

	Year ended			**Six months ended**
	28 February 2018	**28 February 2019**	**29 February 2020**	**31 August 2020**
	£'000			
Freehold land and buildings	-	120	896	62
Computer equipment	143	339	454	90
Furniture, fittings and equipment	84	471	353	27
Computer software	-	101	13	-
Motor vehicles	-	32	29	143
Total	**227**	**1,063**	**1,745**	**322**

8.5 ***Financing Arrangements and Contingent Liabilities***

The Bytes Group's borrowing and credit facilities include the HSBC Invoice Discounting Facility and the HSBC Revolving Credit Facility. The HSBC Revolving Credit Facility will become available to the Bytes Group on Admission. For further details on the terms of these facilities, see paragraphs 11.4 and 11.5 of Part 15 "Additional Information".

In 2019, as part of the renegotiation of its debt financing arrangements with its lending banks, the Altron Group entered into a long-term debt facility of R2.0 billion of which R1.6 billion was drawn as at 31 August 2020. BSS was included as a guarantor under the terms of the facility. However, no payment is expected to be made by the Bytes Group under the guarantee, and under the terms of the Demerger SPA, BSS will be released from the guarantee by the Altron Group upon completion of the Demerger. For further details, see note 24 to the Bytes Group's consolidated historical financial information in Part 11 "Financial Information of Bytes UK".

8.6 *Off-Balance Sheet Arrangements*

The Bytes Group does not have any off-balance sheet arrangements.

9 Critical accounting policies and estimates

The preparation of the Bytes Group's consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and management judgments concerning the future. These are evaluated regularly and based on historical experience and other factors, including expectations of future events and, where applicable, the opinion of experts. The principal areas where estimates and judgements are made are as follows below.

9.1 *IFRS 16 "Leases"*

The Bytes Group has adopted IFRS 16, "Leases" retrospectively from 1 March 2019, but has not restated comparatives for the previous reporting periods, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 March 2019. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 4.75 per cent. The change in accounting policy affected the following items in the balance sheet on 1 March 2019: Right-of-use assets – increase by £1,622,000; and Lease liabilities – increase by £1,622,000. For further details on the practical expedients applied and measurement of lease liabilities and right-of-use assets, see note 31(b) to the Bytes Group's consolidated historical financial information in Part 11 "Financial Information of Bytes UK".

9.2 *Estimated useful lives of intangible assets*

The Bytes Group recognises brands and customer relationships acquired in a business combination at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. For the Bytes Group's acquisition of the Phoenix business on 29 September 2017, it has recognised customer relationships and brand intangible assets with estimated useful lives of ten years and five years, respectively.

9.3 *Estimation of recoverable amount of goodwill*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units ("**CGUs**"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The recoverable amount of each CGU is the higher of the CGU's fair value less costs of disposal and its value in use. For each CGU and for all periods presented, the Bytes Group has assessed that the value in use represents the recoverable amount. The future expected cash flows used in the value in use models are based on management forecasts, typically over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. For the purpose of impairment assessments of goodwill, the goodwill balance is allocated to the operating units which represent the lowest level within the Bytes Group at which the goodwill is monitored for internal management purposes. For a summary of the goodwill per CGU as well as assumptions applied for impairment assessment purposes, see note 11 to the Bytes Group's consolidated historical financial information in Part 11 "Financial Information of Bytes UK".

9.4 *First-time adoption of IFRS*

All of the entities included in the Bytes Group making up its opening balance sheet as at 1 March 2017 were under the common control of Altron and whose financial statements were prepared under IFRS for all of the periods covered in the Bytes Group's consolidated historical financial information Part 11 "Financial Information of Bytes UK". The results for all periods included in the Bytes Group's historical financial information have been included in the consolidated financial statements of Altron and so on first-time adoption of IFRS under the provisions of IFRS 1 and specifically appendix D16(a), the Bytes Group has elected to measure its own assets and liabilities at the carrying amounts that would be included in Altron's consolidated financial statements based on their date of transition, if no adjustments were made for consolidation procedures and for the effects of the business combination in which Altron acquired the Bytes Group. The Bytes Group does not therefore elect to apply any of the other voluntary exemptions offered by IFRS 1, since Altron has already made the choices for the Bytes Group at its date of transition.

9.5 *Revenue recognition - Principal versus agent*

Significant judgement is required in determining whether the Bytes Group is acting as principal, reporting revenue on a gross basis, or agent, reporting revenue on a net basis. The Bytes Group evaluates the following indicators, amongst others, when determining whether it is acting as a principal or agent in the transaction and recording revenue on a gross, or net, basis:

- whether it is primarily responsible for fulfilling the promise to provide the specified goods or service;
- whether it has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- whether it has discretion in establishing the price for the specified good or service.

10 Qualitative and Quantitative Disclosure About Market Risk

The Bytes Group's operating activities expose it to a variety of market risks, including credit risk, liquidity risk and foreign currency risk. Senior Management regularly monitor and oversee the management of these risks and have established policies and procedures in place to ensure that the relevant risks are identified and managed in line with the Bytes Group's policies and procedures. The policies for managing these risks, which have been reviewed and agreed by the Board, are summarised below.

10.1 *Credit risk*

The Bytes Group is exposed to credit risk from its operating activities primarily for trade receivables. Credit risk from trade receivables is managed in accordance with Bytes Group's policy to require appropriate credit checks on potential customers before sales are made. The maximum exposure to credit risk at the end of each reporting period is the carrying amount of each class of financial assets as set out in note 13 to the Bytes Group's consolidated historical financial information in Part 11 "Financial Information of Bytes UK".

10.2 *Liquidity risk*

The Bytes Group generates positive cash flows from operating activities and these fund short-term working capital requirements. The Bytes Group aims to maintain significant cash reserves and none of its cash reserves are subject to restrictions. Access to cash is not restricted and all cash balances could be drawn upon immediately if required. The Directors carefully monitor the levels of cash deposits and are comfortable that for normal operating requirements, no external borrowings are currently required. Further details of the Bytes Group's liquidity risk management are set out in set out in notes 1.5 and 21(b) to the Bytes Group's consolidated historical financial information in Part 11 "Financial Information of Bytes UK".

10.3 *Foreign currency risk*

The Bytes Group’s policy in respect of foreign 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. The Bytes Group has taken out forward currency contracts during the periods covered by its consolidated historical financial information, but has not recognised either a forward currency asset or liability at each period end as the fair value of the foreign currency forwards is considered to be immaterial to the consolidated historical financial information. Similarly, the amounts recognised in profit or loss in relation to derivatives were considered to be too immaterial to disclose separately.

PART 10 - CAPITALISATION AND INDEBTEDNESS

Capitalisation and indebtedness

The table below sets out the Bytes Group's capitalisation and indebtedness as at 31 August 2020.

The information has been derived without material adjustment from the historical financial information included in Part 11 "Financial Information of Bytes UK" as at 31 August 2020.

	As at 31 August 2020 **£000**
Guaranteed	-
Secured	-
Unguaranteed/unsecured(1)	256
Total current debt	**256**
Guaranteed	-
Secured	-
Unguaranteed/unsecured(1)	1,252
Total non-current debt	**1,252**
Issued share capital	-
Other reserves	1,324
Shareholders' equity (excluding retained earnings)	**1,324**
Total capitalisation and indebtedness	2,832

(1) Included within unguaranteed/unsecured current and non-current debt are the Bytes Group's lease liability obligations.

There has been no material change in the Bytes Group’s capitalisation since 31 August 2020.

The Bytes Group is included as a guarantor for a long-term financing facility entered into by the Altron Group. No payment is expected to be made by the Bytes Group under this guarantee. Therefore, no liability has been recognised by the Bytes Group in respect of this guarantee. Further information on this guarantee is provided in note 24 of the Bytes Group's historical financial information included in Part 11 "Financial Information of Bytes UK".

The following table details the net financial indebtedness of the Bytes Group as at 30 September 2020, which has been derived without material adjustment from the Bytes Group's unaudited accounting records:

	As at 30 September 2020 **£000**
Cash	13,264
Cash equivalents	-
Liquidity	**13,264**
Current lease liabilities	(248)
Current financial debt	**(248)**
Current net liquidity	**13,016**
Non-current lease liabilities	(1,258)
Non-current financial debt	**(1,258)**
Total net liquidity	**11,758**

There has been no material change in the Bytes Group's net financial indebtedness since 30 September 2020.

PART 11 - FINANCIAL INFORMATION OF BYTES UK

SECTION A: ACCOUNTANT'S REPORT IN RESPECT OF THE HISTORICAL FINANCIAL INFORMATION

Building a better working world

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Tel: +44 20 7951 2000
Fax: +44 20 7951 1345
ey.com

The Directors
Bytes Technology Group plc
Bytes House,
Randalls Way,
Leatherhead,
Surrey, KT22 7TW

1 December 2020

Dear Sirs

Bytes Technology Limited

We report on the financial information set out in section B of Part 11 for the years ended 28 February 2018, 28 February 2019 and 29 February 2020 and the six months ended 31 August 2020 (the "Financial Information"). This Financial Information has been prepared for inclusion in the prospectus dated 1 December 2020 (the "Prospectus") of Bytes Technology Group plc (the "Company") on the basis of the accounting policies set out in note 1 of the Financial Information.

This report is required by item 18.3.1 of Annex 1 to the Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

We have not audited or reviewed the financial information for the six month period ended 31 August 2019 and accordingly do not express an opinion thereon.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the Financial Information gives, for the purposes of the Prospectus dated 1 December 2020, a true and fair view of the state of affairs of Bytes Technology Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f), we are responsible for this report as part of the prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 to Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129.

Yours faithfully

Ernst & Young LLP

Ernst & Young LLP

SECTION B: HISTORICAL FINANCIAL INFORMATION

Bytes Technology Limited's historical financial information for the years ended 28 February 2018, 2019 and 29 February 2020 and the six-month periods ended 31 August 2019 and 2020

Consolidated Statement of profit or loss

		Year ended			6-month period ended	
	Note	**28 February 2018 £'000**	**28 February 2019 £'000**	**29 February 2020 £'000**	**Unaudited 31 August 2019 £'000**	**31 August 2020 £'000**
Revenue	**3**	321,892	349,658	373,103	205,045	221,222
Cost of sales		(278,347)	(286,045)	(293,886)	(165,111)	(174,843)
Gross profit		**43,545**	**63,613**	**79,217**	**39,934**	**46,379**
Administrative expenses	**4**	(33,307)	(44,918)	(49,373)	(24,172)	(26,849)
Operating profit		**10,238**	**18,695**	**29,844**	**15,762**	**19,530**
Finance income		20	85	158	85	24
Finance costs		(58)	(1)	(82)	(41)	(40)
Finance income/(costs) - net	**7**	(38)	84	76	44	(16)
Profit before taxation		**10,200**	**18,779**	**29,920**	**15,806**	**19,514**
Income tax expense	**8**	(2,111)	(3,643)	(5,762)	(3,074)	(3,757)
Profit after taxation		**8,089**	**15,136**	**24,158**	**12,732**	**15,757**
Profit for the period attributable to owners of the Company		**8,089**	**15,136**	**24,158**	**12,732**	**15,757**
		£	**£**	**£**	**£**	**£**
Basic earnings per Ordinary Share	**29(a)**	809	1,514	2,416	1,273	1,576
Diluted earnings per Ordinary Share	**29(b)**	728	1,362	2,174	1,146	1,418

The statement of profit or loss and other comprehensive income has been prepared on the basis that all operations are continuing operations.

There are no items to be recognised in other comprehensive income and hence, the group has not presented a statement of other comprehensive income.

Bytes Technology Limited's historical financial information for the years ended 28 February 2018, 2019 and 29 February 2020 and six-month period ended 31 August 2020

Consolidated balance sheet

	Note	As at 28 February 2018 £'000	As at 28 February 2019 £'000	As at 29 February 2020 £'000	As at 31 August 2020 £'000
Assets					
Non-current assets					
Property, plant and equipment	**9**	7,072	7,470	8,521	8,420
Right-of-use assets	**10**	-	-	1,332	1,202
Intangible assets	**11**	49,273	47,663	46,053	45,248
Contract assets	**3(d)**	294	-	1,056	459
Total non-current assets		**56,639**	**55,133**	**56,962**	**55,329**
Current assets					
Inventories	**12**	1,661	94	688	746
Contract assets	**3(d)**	4,068	9,112	5,085	8,009
Trade and other receivables	**14**	46,753	54,598	77,094	99,268
Cash and cash equivalents	**15**	6,706	26,038	47,357	31,928
Total current assets		**59,188**	**89,842**	**130,224**	**139,951**
Total assets		**115,827**	**144,975**	**187,186**	**195,280**
Liabilities					
Non-current liabilities					
Lease liabilities	**10**	-	-	(1,295)	(1,252)
Contract liabilities	**3(d)**	-	-	(1,001)	(1,475)
Deferred tax liabilities	**17**	(2,285)	(2,038)	(1,895)	(1,754)
Total non-current liabilities		**(2,285)**	**(2,038)**	**(4,191)**	**(4,481)**
Current liabilities					
Trade and other payables	**16**	(72,774)	(89,031)	(116,510)	(130,619)
Contract liabilities	**3(d)**	(5,882)	(9,683)	(10,205)	(9,186)
Current tax liabilities		(1,261)	(2,070)	(3,191)	(645)
Lease liabilities	**10**	-	-	(307)	(256)
Total current liabilities		**(79,917)**	**(100,784)**	**(130,213)**	**(140,706)**
Total liabilities		**(82,202)**	**(102,822)**	**(134,404)**	**(145,187)**
Net assets		**33,625**	**42,153**	**52,782**	**50,093**
Equity					
Issued share capital	**18**	-	-	-	-
Other reserves	**29**	561	899	1,170	1,324
Retained earnings	**19**	33,064	41,254	51,612	48,769
Total equity		**33,625**	**42,153**	**52,782**	**50,093**

Bytes Technology Limited's historical financial information for the years ended 28 February 2018, 2019 and 29 February 2020 and six-month period ended 31 August 2020

Consolidated statement of changes in equity

	Attributable to owners of the Company				
	Share capital £'000	**Share premium £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total equity £'000**
For the years ended 28 February 2018, 2019 and 29 February 2020:					
Balance at 1 March 2017	-	-	417	24,975	25,392
Total comprehensive income for the year	-	-	-	8,089	8,089
Share-based payment transactions	-	-	144	-	144
Balance at 28 February 2018	-	-	**561**	**33,064**	**33,625**
Adjustment on initial application of IFRS 9 and IFRS 15 (note 14)	-	-	-	(446)	(446)
Restated total equity at the beginning of the financial year	-	-	**561**	**32,618**	**33,179**
Total comprehensive income for the year	-	-	-	15,136	15,136
Dividends paid	-	-	-	(6,500)	(6,500)
Share-based payment transactions	-	-	338	-	338
Balance at 28 February 2019	-	-	**899**	**41,254**	**42,153**
Total comprehensive income for the year	-	-	-	24,158	24,158
Dividends paid	-	-	-	(13,800)	(13,800)
Share-based payment transactions	-	-	271	-	271
Balance at 29 February 2020	-	-	**1,170**	**51,612**	**52,782**

	Attributable to owners of the Company				
	Share capital £'000	**Share premium £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total equity £'000**
For the six months ended 31 August 2019 (Unaudited):					
Balance at 28 February 2019	-	-	**899**	**41,254**	**42,153**
Total comprehensive income for the period	-	-	-	12,732	12,732
Dividends paid	-	-	-	(4,800)	(4,800)
Share-based payment transactions	-	-	120	-	120
Balance at 31 August 2019	-	-	**1,019**	**49,186**	**50,205**
For the six months ended 31 August 2020:					
Balance at 29 February 2020	-	-	**1,170**	**51,612**	**52,782**
Total comprehensive income for the period	-	-	-	15,757	15,757
Dividends paid	-	-	-	(18,600)	(18,600)
Share-based payment transactions	-	-	154	-	154
Balance at 31 August 2020	-	-	**1,324**	**48,769**	**50,093**

Consolidated statement of cash flows

		Year ended			6-month period ended	
	Note	Year ended 28 February 2018 £'000	Year ended 28 February 2019 £'000	Year ended 29 February 2020 £'000	Unaudited Period ended 31 August 2019 £'000	Period ended 31 August 2020 £'000
Cash flows from operating activities						
Cash generated from operations	**20**	12,784	29,892	41,699	1,251	10,047
Interest received	**7**	20	85	158	85	24
Interest paid	**7**	(58)	(1)	(2)	(1)	(2)
Income taxes paid	**8**	(1,934)	(3,081)	(4,784)	(2,099)	(6,444)
Net cash inflow/(outflow) from operating activities		**10,812**	**26,895**	**37,071**	**(764)**	**3,625**
Cash flows from investing activities						
Payments for acquisition of subsidiary, net of cash acquired	**23**	(31,938)	-	-	-	-
Payments for property, plant and equipment	**9**	(227)	(1,063)	(1,745)	(521)	(322)
Net cash outflow from investing activities		**(32,165)**	**(1,063)**	**(1,745)**	**(521)**	**(322)**
Cash flows from financing activities						
Principal elements of lease payments	**10**	-	-	(207)	(70)	(132)
Dividends paid to shareholders	**22(b)**	-	(6,500)	(13,800)	(4,800)	(18,600)
Net cash outflow from financing activities		**-**	**(6,500)**	**(14,007)**	**(4,870)**	**(18,732)**
Net increase in cash and cash equivalents		**(21,353)**	**19,332**	**21,319**	**(6,155)**	**(15,429)**
Cash and cash equivalents at the beginning of the financial year		28,059	6,706	26,038	26,038	47,357
Cash and cash equivalents at end of year	**15**	**6,706**	**26,038**	**47,357**	**19,883**	**31,928**

1. Accounting policies

1.1 General information
Bytes Technology Limited (formerly known as Bytes Technology Group Limited) and together with its subsidiaries ("the group" or "the Bytes business") is an IT solutions provider, and a wholly owned subsidiary of Allied Electronics Corporation Limited ("Altron" and together with its subsidiaries "Altron Group") a South African, Johannesburg Stock Exchange (JSE) listed technology company. In April 2020, the board of Altron announced its intention to de-merge the Bytes business and pursue a potential London Stock Exchange (LSE) listing with a secondary JSE listing.
An IPO is expected to allow the Bytes business to:

- Execute on its growth strategy independently
- Enhance its market profile and brand recognition
- Increase employee ownership and incentivisation

Prior to the demerger, the results of Bytes Technology Limited have been consolidated into the Altron Group and no separate group financial statements have been prepared by the group previously.

The entities included in the consolidated financial statements of the Bytes business are as follows:

Bytes Software Services Limited
Bytes Security Partnerships Limited
Blenheim Group Limited (acquired 29 September 2017)
Phoenix Software Limited (acquired 29 September 2017)
License Dashboard Limited (acquired 29 September 2017)

All of these entities are wholly owned and are all incorporated in England and Wales.

1.2 Basis of preparation
The consolidated financial statements of the group for the years ended 29 February 2020, 28 February 2019 and 2018 and the 6-month period ended 31 August 2020 and 2019 (the "Historical Financial Information") has been prepared specifically for the purposes of this Prospectus and in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS interpretations Committee (IFRS IC) as adopted by the European Union. The Historical Financial Information has been prepared under the historical cost convention, except where otherwise stated and is presented in the group's presentational and functional currency of pounds sterling (''£'').

This historical financial information does not constitute statutory accounts within the meaning of section 434(3) of the UK Companies Act 2006.

The accounting policies set out below have been applied consistently to the periods presented in these consolidated financial statements, apart from the changes to accounting policies, resulting from the implementation of new accounting standards detailed below in note 1.7.

The group's accounting policies have been applied consistently by all group entities.

1.3 First-time adoption of IFRS
This historical financial information, for the years ended 29 February 2020, 28 February 2019 and 2018 and 6 month period ended 31 August 2020 and 2019, is the first the group has prepared in accordance with IFRS, with its transition date being 1 March 2017.

As previously mentioned under note 1.1, Bytes Technology Limited is a wholly owned subsidiary of Altron. The Altron group's consolidated financial statements are prepared under IFRS and the Altron group adopted IFRS prior to the periods included in the historical financial information. The results for all periods included in the historical financial information have been included in the consolidated financial statements of Altron and so on first-time adoption of IFRS under the provisions of IFRS 1 and specifically appendix D16(a), the group has elected to measure its own assets and liabilities at the carrying amounts that would be included in Altron's consolidated financial statements based on their date of transition, if no adjustments were made for consolidation procedures and for the effects of the business combination in which Altron acquired the group. The group does not therefore elect to apply any of the other voluntary exemptions offered by IFRS 1, since Altron has already made the choices for the group at its date of transition.

Since no financial statements of the group have previously been prepared, the historical financial information presented in this report does not include any IFRS 1 first-time adoption reconciliations. Further details and a 1 March 2017 opening balance sheet are presented in note 30.

1.4 Impact of Covid-19

The global pandemic triggered by the spread of the Covid-19 infection has created uncertainty and poses a higher risk to the business, due to the potential impact it is having on the group's operations and its customers. The impact of Covid-19 was a non-adjusting post balance sheet event for the year ended 29 February 2020 but has become an adjusting event for the period ended 31 August 2020. The group has categorised the impact of the risks as follows:

Market risk
There is a risk that an adverse impact to the world economy will potentially impact the group's customers and its ability to earn revenue. The group has a diversified customer base across both the corporate and public sectors, which helps mitigate this risk to some extent.

Operational risk
The group makes significant use of technology to deliver services to its customers throughout periods of uncertainty, including where limitations are imposed on the ability to travel and meet customers face to face. The group has agility built into its operational model to be able to operate its sales and customer support functions remotely through the use of emails, video conferencing and telephone advice and expects only a small degree of business disruption.

Liquidity risk
The group is aware of the potential impact Covid-19 presents on its liquidity. The group monitors cash flow forecasts on a regular basis to ensure it can continue to manage its working capital requirements. The directors have considered liquidity risk as one of several key dependencies when forming their going concern assessment in note 1.5. For further information on the group's approach to mitigating its liquidity risks, see note 21.

Credit risk
In the six-month period to 31 August 2020, the group has continued to outperform expectations and there have been no major customer defaults during the period. Whilst this has been a very positive period for the group, the directors are still aware of the macroeconomic uncertainty that continues to cause wider disruption to economic activity and it is at present unknown what the longer-term impact on the business will be. The directors have placed a greater emphasis on the group's exposure to credit risk, increasing the group's expected credit loss provision on its gross trade receivables by £322k and will continue to monitor this going forward.

Impairment risk associated with goodwill carrying values
In the group's most recent annual impairment test performed for the year ended 29 February 2020, the group has used various down side scenarios in its sensitivity analysis to factor in the potential future impacts of Covid-19 on the future cash flows of the business. The group adjusted the discount rate applied to these cash flows upwards by a further 1% to simulate a down case scenario and adequate headroom was maintained, see note 11. An impairment test was not performed at 31 August 2020. However, management did consider the value in use of its cash generating units (CGU's) when reviewing the group's cash flow forecasts and was satisfied there was no impairment risk to the associated goodwill carrying values.

1.5 Going concern

The going concern of the group is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The directors have considered a number of key dependencies which are set out in the group's risk management section, specifically the group's exposure to credit risk as described in note 14 and liquidity risk, currency risk and foreign exchange risk as described in note 21.

The directors continue to monitor the effects of the Covid-19 pandemic on the business and will react accordingly to the associated risks presented in note 1.4.

When assessing the going concern of the group, the directors have reviewed the year to date financial actuals, as well as detailed financial forecasts for the period up to 31 December 2021. The assumptions used in the financial forecasts are based on the group's historical performance and management's extensive experience of the industry. Taking into consideration the impact of Covid-19 on the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the group's working capital and cash requirements has been performed.

Further details, including the analysis performed and conclusion reached, are set out below.

Operational and business impact of Covid-19

Covid-19's impact on the business is described in note 1.4 of this historical financial information. In preparing its going concern assessment, management have considered the potential future impact of Covid-19 on the business, taking into account the limited impact it had during the period from 1 March 2020 to the date of this document. Over this period many customers were transitioning to home working and responding to the impact of Covid-19 on their own businesses. Despite this, the group achieved strong double-digit growth in gross profit in the six months ended 31 August 2020 compared to the six months ended 31 August 2019, albeit falling to approximately 10% growth in the second quarter of this period.

The directors believe that the group operates in a resilient industry and that the group has demonstrated profitable growth, despite the pandemic, since 1 March 2020. The group's customer base incorporates a large volume of non-discretionary spend from UK corporates as IT has become vital to establish competitive advantage in an increasingly digital age. Public sector organisations, a large and fast-growing area of the business, have shown minimal negative sensitivity to Covid-19 to date. The group will continue to focus on increasing its customer base and spend per customer during the going concern period.

Liquidity and financing position

At 31 August 2020, the group held instantly accessible cash and cash equivalents of £31.9 million. Since 31 August the group has paid a pre-IPO dividend of £30 million to its shareholder, Bytes Technology Group Proprietary Limited, a subsidiary of Altron and following Admission will pay £14.3 million as part of the consideration paid to acquire the B ordinary shares in Bytes UK held by management.

On Admission the group will have access to a committed revolving credit facility of £50 million with HSBC, reducing to £40 million after 12 months and to £30 million thereafter.

There is a sufficient level of liquidity/financing headroom post stress testing across the going concern forecast period to 31 December 2021, as outlined in more detail below.

Approach to stress testing

The going concern analysis, which was approved by the Board in November 2020 reflects the actual trading experience through the financial year to date, as well as detailed financial forecasts for the period up to 31 December 2021. The group has taken a measured approach to its forecasting and has balanced the expected trading conditions with available opportunities in a resilient area of customer spend.

Given the uncertainty around the impact of Covid-19, and the continuing uncertainty around the impact of the UK leaving the EU, the Board has also in its assessment of going concern considered the potential impact of a generalised economic downturn leading to a greater impact on the spending patterns of the group's customers than has been experienced to date, and the extent to which this could adversely affect the group's future gross invoiced income, adjusted operating profit and debtor days, as well as the extent to which this might be offset by savings in commissions and bonuses and discretionary areas of spend.

Going concern conclusion

Based on the analysis described above, the group has sufficient liquidity headroom through the forecast period.

The directors therefore have reasonable expectation that the group has the financial resources to enable it to continue in operational existence for the period to 31 December 2021. Accordingly, the directors conclude it is appropriate that the Historical Financial Information be prepared on a going concern basis.

1.6 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved significant judgement or complexity. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Detailed information about each of these estimates and judgements is included in other notes, together with information about the basis of calculation for each affected line item in the financial statements.

Significant estimates and judgements

The areas involving significant estimates and judgements are:

- Estimation uncertainties and judgements made in relation to lease accounting following the group's adoption of IFRS 16 'Leases' on 1 March 2019, in particular the incremental borrowing rate applied to the lease liabilities and determining lease of low-value assets not to be recognised as part of the lease liability, see note 31(c).
- Estimated useful lives of intangible assets. The group acquired Blenheim Group Limited on 29 September 2017 and in doing so recognised customer relationships and brand intangible assets with estimated useful lives of 10 years and 5 years, respectively, see note 1.24. In estimating the useful lives of these assets, the group has to consider the time period over which it expects to receive economic benefit from the future cash flows generated from these assets and this requires significant judgement and the use of estimates.
- Estimation of recoverable amount of goodwill. The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.18. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations are based on discounted cash flow forecasts using estimated long-term growth rates, see note 11.
- Revenue recognition - *Principal versus agent,* see note 1.12.2

  When recognising revenue, the group is required to assess whether its role in satisfying its various performance obligations is to provide the goods or services itself (in which case it is considered to be acting as principal) or arrange for a third party to provide the goods or services (in which case it is considered to be acting as agent). Where it is considered to be acting as principal, the group recognises revenue at the gross amount of consideration to which it expects to be entitled. Where it is considered to be acting as agent, the group recognises revenue at the amount of any fee or commission to which it expects to be entitled or the net amount of consideration that it retains after paying the other party.

  For those revenue streams that involve the resale of software licences and software assurance, there is often considerable judgment in determining whether the group is principal or agent. The group's assessment is based primarily upon whether it controls the goods or services prior to their transfer to the customer. However, the nature of these products and services means that a purely control based assessment does not always lead to a clear conclusion. Consequently, the group additionally considers the other characteristics of principal set out in IFRS 15. These include whether the group has primary responsibility for fulfilling the contractual promises made to the customer, whether the group assumes inventory risk and whether the group has discretion in establishing the selling price.

  For direct licence sales the group is considered to be acting as agent. This is because the group does not control the goods or services prior to their delivery to the customer. The group's role is to facilitate the sale on behalf of the software vendor that controls the goods or services. It is the software vendor that contracts with and subsequently invoices the customer. The group does not set the prices paid by the customer and it is remunerated in the form of a usage or sales-based commission.

  For licence sales related to cloud services and licences with critical updates the group is considered to be acting as agent. This is because cloud services and licences with critical updates require the significant on-going involvement of the software vendor. The group does not control the service prior to passing it to the customer as it is provided as a future service delivered by the vendor. Any technical and administrative services provided by the group are critically dependent on, and so inseparable from, the service to be provided by the vendor. The group's role is to arrange for the cloud service/updates to be provided by another party.

  For licence sales without critical upgrades or cloud services for the related perpetual licences, with or without software assurance, the group is considered to be acting as principal. This is because the group's performance obligation results in it obtaining control of the licence key and/or right to software assurance benefits from the software vendor and then transferring them to the customer. With regard to software assurance, the non-critical nature of the software updates means that the customer's ability to derive benefit from the software is not dependent on the continued involvement of the software vendor. This results in the balance of control resting more with the group than is the case with critical updates. The group is primarily responsible for fulfilling the promise to provide the specified good or service to the customer, as the group obtains control of the license before it is delivered to the customer and also typically has responsibility for acceptability of the specified good or service. The group has primary responsibility for fulfilling the contractual promises to the customer, assumes inventory risk in the event of cancellation of the sale for any reason and has discretion in establishing the prices of the goods and services.

1.7 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 March 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue and Contracts with Customers

The group also applied the following standard for the first time for the annual reporting period commencing 1 March 2019:

- IFRS 16 Leases

Adoption of IFRS 9 'Financial Instruments' did not have a material impact on the amounts recognised in the financial information. However, the group did recognise an expected credit loss provision of £446k in respect of its trade receivables as at 1 March 2018, see notes 14 and 31(a).

The transition method to IFRS 15 and the impact on the group as a result of the transition is disclosed in note 31(b).

From 1 March 2019, the group had to change its accounting policies as a result of adopting IFRS 16 'Leases'. The group elected to adopt the new rules using the modified retrospective approach recognising the cumulative effect of initially applying the new standard on 1 March 2019. This is disclosed in note 31(c).

1.8 Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group, see note 1.17.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

1.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The group has therefore determined that it has only one reportable segment under IFRS 8, which is that of 'IT solutions provider'.

1.10 Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprises interest expense on borrowings and the unwinding of the discount on lease liabilities, that are recognised in profit or loss as it accrues using the effective interest method.

1.11 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the statement of profit or loss on a net basis, within 'other gains/(losses)'.

1.12 Revenue recognition

1.12.1 For the periods prior to 1 March 2018

Revenue is recognised to the extent that it is probable that economic benefits will flow to the group and the amount of 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 group generates revenue from both the sale of goods and the rendering of services.

The rendering of services typically involves the performance by the group of a contractually agreed task over an agreed period of time. The services may be rendered within a single period or over more than one period.

1.12.2 For the periods from 1 March 2018 onwards

The group has applied the relevant principles of IFRS 15 *Revenue from Contracts with Customers* to each of its key revenue streams as follows:

Resale of software licences and subscriptions

As a software reseller the group acts as an advisor, analysing customer requirements and designing an appropriate mix of licences and technology. The group's resale of software licences takes place in three principal forms:

- ***Direct licence sales -*** Under direct licence sale arrangements the group is not a party to the contract between the software vendor and the customer. Activation of the licences, invoicing and payment all take place directly between the software vendor and the customer.
- ***Licence sales – resell of software licenses and subscriptions -***The group operates as reseller of a variety of cloud-based licence products and security software, the functionality of which is critically dependent on future updates provided by the software vendor.
- ***Licence sales - perpetual licences and software assurance -*** The group operates as reseller of a variety of perpetual non-cloud-based products that are not critically dependent on future updates provided by the software vendor. Alongside or separately to such licences, the group also acts as a reseller of software assurance – a package of benefits provided by the software vendor that includes access to future (non-critical) updates at no extra cost.

Identifying the performance obligations

As a reseller, the group's performance obligation is to deliver solutions to customers through the procurement of software licences, software assurance and provision of value-added consulting services in connection with those licences. The services the group provides include the design of customer-specific solutions, licence and software assurance procurement and assistance with the negotiation and interpretation of software vendor agreements. In the context of the group's contract with the customer, the consulting services are highly interrelated with the software licences and software assurance. The customer's ability to derive benefit from the licences and software assurance is therefore dependent on those services. The consulting services, licence products and software assurance sold cannot be distinguished from each other in the context of the contract and so are considered to represent a single performance obligation.

For direct licence sales, licence sales related to cloud services and licences with critical updates the group acts as agent. As such, the group recognises revenue at the amount of commission earned, the amount retained after paying the software vendor for the licences and services provided or, for cloud based services, the usage fee received from the software vendor. The judgements made in arriving at this conclusion are set out at note 1.6.

For licence sales related to perpetual licences, subscription licences and software assurance the group acts as principal. As such, the group recognises revenue at the gross amount receivable from the customer for the goods and services provided. The judgements made in arriving at this conclusion are set out at note 1.6.

Determining the transaction price

The transaction price for resell of software licenses and subscriptions is based upon fixed commission rates set by the software vendor applied to customer usage.

The transaction price for non-cloud-based licence sales and software assurance is fixed at the amount specified in the contract and has no variable element.

Allocating the transaction price

When reselling software licences and/or software assurance, which together represent one performance obligation, together with other goods and services that represent additional separate performance obligations, such as hardware, the group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e. their stand-alone selling prices.

Recognising revenue

With the exception of revenue arising from cloud-based licence sales and services, the group recognises all licence sale revenue on a point in time basis. This is because the group's activities in satisfying its performance obligations do not satisfy any of the criteria for over time revenue recognition set out in IFRS 15. As a reseller, the group's performance obligations are fully satisfied at the point the licences are delivered and control of the software passes to the customer. Thereafter, the group has no on-going performance obligations.

Revenue arising from cloud-based licence sales is recognised on an over time basis, using the right-to-invoice practical expedient available under the output method. This is because the responsibilities of the group to monitor, review and undertake certain other on-going activities in relation to customer usage means that its performance obligation is not satisfied at the point the licence is delivered. Rather, the customer receives and consumes the benefits of the group's post-sale activities as those post-sale activities are performed. The group is rewarded for its performance as the usage occurs and revenue is recognised accordingly. Revenue is recognised in the month the usage takes place based on an estimate of the amount due. Any adjustment that may be required is made in the following month when the amount receivable is confirmed by the software vendor.

For licence sales other than those made on a direct basis, the group's customer offering includes multi-year deals of typically three years in duration. The contractual arrangements for such deals take two alternative forms - the customer may elect to make a single up-front payment or may elect to pay through annual instalments. For up-front payment contracts, the group recognises the total contract price when the contract is executed and invoiced because its performance obligation is fully satisfied at that point. For annual instalment contracts, the group recognises revenue for the amount of each instalment when it is billed. This is because, in contrast to up-front payment contracts, the group's performance obligation is not fully satisfied when the contract is executed. Under annual instalment plans the group is required to undertake various contract review activities at each anniversary date and at that point the customer also has the option of moving to a different reseller should they wish to do so. The contract term is therefore considered to be one year as this is the period during the parties to the contract have present enforceable rights and obligations.

The rendering of services typically involves the performance by the group of a contractually agreed task over an agreed period of time. The services may be rendered within a single period or over more than one period.

Externally provided training and consulting services

The group's activities under this revenue stream comprise the sale of training and consulting services through third-party contractors.

Identifying the performance obligations

The group's sale of externally provided training and consulting services is generally distinct from other goods and services that the group might provide to the same customer under the same or separate contracts. This is because the customer can benefit from the services on their own or from other resources (as is evidenced by the fact that the services are provided by another party). Additionally, the services are not generally integrated with or dependent on other services that might be provided to the customer.

When selling externally provided training and consulting services the group acts as agent and so recognises revenue at the amount retained after paying the service provider for the services delivered to the customer, i.e. the gross margin earned.

Determining the transaction price

The transaction price for training and consulting services is fixed at the amount specified in the contract and has no variable element.

Allocating the transaction price

When selling training and consulting services provided through third-party contractors together with other goods and services under the same or linked contracts and those goods and services represent more than one performance obligation, the group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e. their stand-alone selling prices.

Recognising revenue

The group recognises all revenue from externally provided training and consulting services on a point in time basis. This is because the group's activities in satisfying its performance obligation do not satisfy any of the criteria for over time revenue recognition set out in IFRS 15. The group's performance obligations are fully satisfied at the point the contract is signed. Thereafter, the group has no on-going performance obligations as these rest with the services provider.

Internally provided consulting services

The group's activities under this revenue stream comprise the provision of consulting services using its own internal resources. The services provided include helpdesk support, cloud migration, implementation of security solutions, infrastructure and software asset management services.

Identifying the performance obligations

The group's sale of internally provided consulting services is generally distinct from other goods and services that the group might provide to the same customer under the same or separate contracts. This is because the customer can benefit from the services on their own or from other resources. Additionally, the services are not generally integrated with or dependent on other services that might be provided to the customer. When selling internally provided consulting services the group acts as principal and so recognises revenue at the gross amount receivable from the customer for the services provided.

Determining the transaction price

The transaction price for consulting services is fixed by the day rates specified in the contract and has no variable element.

Allocating the transaction price

When selling internally provided consulting services together with other goods and services under the same or linked contracts and those goods and services represent more than one performance obligation, the group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e. their stand-alone selling prices.

Recognising revenue

The group recognises all revenue from internally provided consulting services on an over time basis. This is because the customer simultaneously consumes and benefits from group's activities as the group performs. In measuring its performance and the amount of revenue to be recognised, the group applies an inputs basis by reference to the hours expended to the measurement date and the day rates specified in the contract.

Hardware sales

The group's activities under this revenue stream comprise the sale of hardware items such as servers, laptops, and devices.

Identifying the performance obligations

The group's sale of hardware, which is made in the capacity of principal, is generally distinct from other goods and services that the group might provide to the same customer under the same or separate contracts. This is because the customer can usually benefit from the hardware either on its own or with other resources. Occasionally, the hardware may be integrated with software licences resold by the group in such a way that the customer's ability to benefit from the software and hardware products is interdependent. In such instances, the sale of the hardware and related licence together represent a single performance obligation. When selling hardware, the group acts as principal and so recognises revenue at the gross amount receivable from the customer for the hardware provided.

Determining the transaction price

The transaction price for sales of hardware is fixed at the amount specified in the contract and has no variable element.

Allocating the transaction price

When selling hardware together with other goods and services under the same or linked contracts and those goods and services represent more than one performance obligation, the group allocates the total transaction by reference to the prices it charges for those goods and services when sold separately, i.e. their stand-alone selling prices.

Recognising revenue

The group recognises all revenue from sales of hardware on a point in time basis. This is because the group's activities in satisfying its performance obligation do not satisfy any of the criteria for over time revenue recognition set out in IFRS 15. Revenue is recognised on delivery when control of the hardware passes to the customer.

Contract costs

Incremental costs of obtaining a contract

The group recognises the incremental costs of obtaining a contract when those costs are incurred. For revenue recognised on a point in time basis, this is consistent with the transfer of the goods or services to which those costs relate. For revenue recognised on an over time basis, the group applies the practical expedient available in IFRS 15 and recognises the costs as an expense when incurred because the amortisation period of the asset that would otherwise be recognised is less than one year.

Costs to fulfil a contract

The group recognises the costs of fulfilling a contract when those costs are incurred. This is because the nature those costs does not generate or enhance the group's resources in a way that enables it to satisfy its performance obligations in the future and those costs do not otherwise qualify for recognition as an asset.

Contract assets

The group recognises a contract asset for revenue recognised from performance obligations satisfied in the period that has not yet been invoiced to the customer.

Contract liabilities

The group recognises a contract liability when the customer is invoiced, or when payment is due, before the related performance obligations of the contract are satisfied.

1.13 Rebates

Rebates from suppliers are accounted for in the period in which they are earned and are based on commercial agreements with suppliers. Rebates earned are mainly purchase volume related and are generally short term in nature, with rebates earned but not yet received typically relating to the preceding quarter's trading. Rebate income is recognised in cost of sales in the Statement of Profit or Loss and Other Comprehensive Income and rebates earned but not yet received are included within accrued income in the Statement of Financial Position.

1.14 Non-underlying items

Non-underlying items are those items that, by virtue of their nature, size or expected frequency, warrant separate additional disclosure in the historical financial information in order to fully understand the underlying performance of group. In the period ended 28 February 2018, the group incurred acquisition related costs in respect of its acquisition of Blenheim Group Limited. These costs were only incurred in 2018 and have been included within administrative expenses but have also been disclosed separately in note 5 in the notes to the historical financial information.

1.15 Income tax

1.15.1 Income tax for the years ended 28 February 2018, 2019 and 29 February 2020

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1.15.2 Income tax for the periods ended 31 August 2019 and 2020

The group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

1.16 Leases

1.16.1 For the periods prior to 1 March 2019

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. The group did not have any finance leases.

1.16.2 For the periods from 1 March 2019 onwards

Lessee

The group leases a property and various motor vehicles. Lease agreements are typically made for fixed periods but may have extension options included. Lease terms are negotiated on an individual basis and contain different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The group is depreciating the right-of-use assets over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at the net present value of the minimum lease payments. The net present value of the minimum lease payments is calculated as follows:
- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, where this rate cannot be determined, the group's incremental borrowing rate is used.

Right-of-use assets are measured at cost comprising the following:
- the net present value of the minimum lease payments;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Depreciation
Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over the lease term.

The estimated useful lives for the current and comparative periods are as follows:
- Buildings 8 years;
- Motor vehicles 2 to 3 years.

The depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate. Gains and losses arising on the disposal of leased assets are included as capital items in profit or loss.

1.17 Business combinations
The acquisition method of accounting is used to account for all business combinations. The consideration transferred for the acquisition of a subsidiary comprises the:
- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity, on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.
If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

1.18 Impairment of non-financial assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.19 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.

1.20 Trade receivables
Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional i.e. fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Prepayments and other receivables are stated at their nominal values.

1.21 Inventories
Inventories are measured at the lower of cost and net realisable value taking into account market conditions and technological changes. Cost is determined on the first-in first-out and weighted average cost methods. Work and contracts in progress and finished goods include direct costs and an appropriate portion of attributable overhead expenditure based on normal production capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

1.22 Financial instruments
1.22.1 Financial instruments under IFRS 9 (from 1 March 2018)
Financial instruments comprise investments in equity, loans receivable, trade and other receivables (excluding prepayments), investments, cash and cash equivalents, restricted cash, non-current loans, current loans, bank overdrafts, derivatives and trade and other payables.

Recognition
Financial assets and liabilities are recognised in the group's statement of financial position when the group becomes a party to the contractual provisions of the instruments. Financial assets are recognised on the date the group commits to purchase the instruments (trade date accounting).

Financial assets are classified as current if expected to be realised or settled within 12 months from the reporting date; if not; they are classified as non-current. Financial liabilities are classified as non-current if the group has an unconditional right to defer payment for more than 12 months from the reporting date.

Classification
The group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) based on the group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial assets are classified as follows:
- Financial assets to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss); and
- Financial assets to be measured at amortised cost

Financial assets are not reclassified unless the group changes its business model. In rare circumstances where the group does change its business model, reclassifications are done prospectively from the date that the group changes its business model.
Financial liabilities are classified and measured at amortised cost except for those derivative liabilities and contingent consideration that are measured at FVTPL.

Measurement on initial recognition
All financial assets and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Subsequent measurement: Financial assets
Subsequent to initial recognition, financial assets are measured as described below:
- FVTPL – These financial assets are subsequently measured at fair value and changes therein (including any interest or dividend income) are recognised in profit or loss.
- Amortised cost – these financial assets are subsequently measured at amortised cost using the effective interest method, less impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Equity instruments at FVOCI – these financial assets are subsequently measured at fair value. Dividends are recognised in profit or loss when the right to receive payment is established. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are not reclassified to profit or loss.

Subsequent measurement: Financial liabilities
All financial liabilities, excluding derivative liabilities and contingent consideration, are subsequently measured at amortised cost using the effective interest method. Derivative liabilities are subsequently measured at fair value with changes therein recognised in profit or loss.

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset or liability, any difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Offsetting financial instruments
Offsetting of financial assets and liabilities is applied when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount is reported in the statement of financial position.

Impairment
The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on credit risk characteristics and the days past due.

The expected credit loss (ECL) rates are based on the payment profiles of sales over a 12-month period before 31 August 2020, 29 February 2020 and 1 March 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are reviewed and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Derivatives
Derivatives are initially recognised at fair value on the date that a derivative contract is entered into as either a financial asset or financial liability if they are considered material. Derivatives are subsequently remeasured to their fair value at the end of each reporting period, with the change in fair value being recognised in profit or loss.

1.22.2 Accounting policies applied until 28 February 2018
The group has applied IFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification
IAS 39 required financial assets to be classified in one of the following categories:
- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Loans and receivables
- Held-to-maturity investments

Until 28 February 2018, the group classified its financial assets as loans and receivables.

Initial and subsequent measurement
The measurement at initial recognition did not change on adoption of IFRS 9.

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Impairment
The group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost
For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

1.23 Property, plant and equipment

Owned assets

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses. When components of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Subsequent costs

The group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred, if it is probable that future economic benefits embodied within the item will flow to the group and the cost of such item can be measured reliably. The carrying amount of the replaced item of property, plant and equipment is derecognised. All other costs are recognised in profit or loss as an expense when incurred.

Depreciation

Depreciation is recognised in profit or loss for each category of assets on a straight-line basis over their expected useful lives up to their respective estimated residual values. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings 20 to 50 years;
- Leasehold improvements (included in land and buildings) shorter of lease period or useful life of asset;
- Plant and machinery 3 to 20 years;
- Motor vehicles 4 to 8 years;
- Furniture and equipment 5 to 20 years; and
- IT equipment and software 2 to 8 years.

The depreciation methods, useful lives and residual values are reassessed annually and adjusted if appropriate. Gains and losses arising on the disposal of property, plant and equipment are included as capital items in profit or loss.

1.24 Intangible assets

Goodwill

Goodwill is measured as described in note 1.17. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

Brands and customer relationships

Brands and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.
The useful lives for the brands and customer relationships are as follows:

- Customer relationships 10 years; and
- Brands 5 years.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Research and development

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1.25 Trade and other payables

Trade payables, sundry creditors and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are accounted for in accordance with the accounting policy for financial liabilities as included above. Other payables are stated at their nominal values.

1.26 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.27 Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Post-employment obligations

The group operates various defined contribution plans for its employees. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Share-based payments

Equity settled share-based payment incentive scheme

Share-based compensation benefits are provided to particular employees of the group via the Bytes Technology Limited equity settled share-based payment incentive scheme and the Blenheim Group Limited equity settled share-based payment incentive scheme. Information relating to both of these schemes is provided in note 28.

Employee shares
The fair values of shares issued under both the Bytes Technology Limited equity settled share-based payment incentive scheme and the Blenheim Group Limited equity settled share-based payment incentive scheme are recognised as employee benefit expenses, with corresponding increases in equity. The total amount to be expensed is determined by reference to the fair values of the shares issued. The fair values of the shares issued are measured using generally accepted valuation techniques.

The total expenses are recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the group revises its estimates of the number of shares issued that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

1.28 Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.29 Dividends
Dividends paid on A ordinary shares are classified as equity and are recognised as distributions in equity.

1.30 Earnings per share
(i) Basic earnings per share
Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding, assuming the conversion of all dilutive potential ordinary shares.

1.31 Rounding of amounts
All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand, unless otherwise stated.

2. Segmental information

2(a) Description of segment

The information reported to the group's Chief Executive, who is considered to be the chief operating decision maker for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the group. The group has therefore determined that it has only one reportable segment under IFRS 8, which is that of 'IT solutions provider'. The group's revenue, results, assets and liabilities for this one reportable segment can be determined by reference to the Statement of Profit or Loss and the Balance Sheet. An analysis of revenues by product lines and geographical regions, which form one reportable segment, is set out in note 3.

2(b) Adjusted operating profit

Adjusted operating profit excludes the effects of significant items of income and expenditure which have an impact on the quality of earnings, such as acquisition costs, which are because of an isolated, non-recurring event. Intangible assets amortisation specifically related to the acquisition have also been excluded. The effects of share-based payment charges have also been excluded.

Adjusted operating profit reconciles to operating profit as follows:

	Notes	Year ended 28 February 2018 £'000	Year ended 28 February 2019 £'000	Year ended 29 February 2020 £'000	6-month period ended 31 August 2019 Unaudited £'000	6-month period ended 31 August 2020 £'000
Adjusted operating profit		11,480	20,643	31,725	16,687	20,489
Share-based payment charges	28	(144)	(338)	(271)	(120)	(154)
Acquired intangible amortisation	4	(671)	(1,610)	(1,610)	(805)	(805)
Acquisition costs	5	(427)	-	-	-	-
Operating profit		**10,238**	**18,695**	**29,844**	**15,762**	**19,530**

3. Revenue from contracts with customers

3(a) Disaggregation of revenue from contracts with customers:

The group derives revenue from the transfer of goods and services in the following major product lines and geographical regions:

Revenue by product	Year ended 28 February 2018 £'000	Year ended 28 February 2019 £'000	Year ended 29 February 2020 £'000	6-month period ended 31 August 2019 Unaudited £'000	6-month period ended 31 August 2020 £'000
Hardware	11,231	25,272	29,576	14,048	15,251
Software	300,728	310,235	326,439	182,588	197,211
Services	9,933	14,151	17,088	8,409	8,760
Total revenue from contracts with customers	**321,892**	**349,658**	**373,103**	**205,045**	**221,222**

Hardware
The group's hardware revenue comprises the sale of items such as servers, laptops and other devices.

Software
The group's software revenue comprises the sale of various types of software licenses (including both cloud-based and non-cloud-based licenses), subscriptions and software assurance products.

Services
The group's services revenue comprises the sale of externally provided training and consulting services through third-party contractors and internally provided consulting services through its own internal resources.

	Year ended 28 February 2018	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**6-month period ended 31 August 2019**	**6-month period ended 31 August 2020**
Revenue by geographical regions:					
United Kingdom	299,332	329,059	352,458	195,405	212,810
Europe	19,455	17,798	17,720	8,694	7,083
Rest of world	3,105	2,801	2,925	946	1,329
	321,892	**349,658**	**373,103**	**205,045**	**221,222**

	Year ended 28 February 2018	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**6-month period ended 31 August 2019 Unaudited**	**6-month period ended 31 August 2020**
3(b) Gross invoiced income by type:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Hardware	11,231	25,272	29,576	14,048	15,251
Software	315,121	500,925	665,147	343,386	474,668
Services	17,076	23,173	27,431	12,894	15,461
	343,428	**549,370**	**722,154**	**370,328**	**505,380**
Gross invoiced income	343,428	549,370	722,154	370,328	505,380
Revenue recognised as agent	(21,536)	(199,712)	(349,051)	(165,283)	(284,158)
Revenue	**321,892**	**349,658**	**373,103**	**205,045**	**221,222**

Gross invoiced income reflects gross income billed to customers adjusted for deferred and accrued revenue items. The group will continue to report gross invoiced income as an alternative financial KPI as management believes this measure allows a better understanding of business performance and position.

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
3(c) Revenue derived from a single external customer:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Software	-	27,729	42,605	32,692	45,791
	-	**27,729**	**42,605**	**32,692**	**45,791**

3(d) Presentation of accrued revenue and deferred revenue
Accrued revenue amounts both non-current and current for all periods have been presented separately in the balance sheet as contract assets.

Deferred revenue amounts both non-current and current for all periods have been presented separately in the balance sheet as contract liabilities.

4. Material profit or loss items

The group has identified a number of items included within administrative expenses which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group:

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Depreciation of property, plant and equipment	492	662	684	323	405
Depreciation of right-of-use assets	-	-	290	146	130
Loss on disposal of property, plant and equipment	4	3	10	-	18
Amortisation of acquired intangible assets	671	1,610	1,610	805	805
Consulting fees	1,075	537	946	346	989
Operating lease charges:	381	684	78	54	122
Property	379	491	75	53	122
Plant, equipment and vehicles	2	193	3	1	-
Foreign exchange (gains)/losses:	(24)	(135)	(24)	(32)	6
Gains	(24)	(145)	(28)	(32)	-
Losses	-	10	4	-	6

5. Non-underlying items

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
	£'000	£'000	£'000	£'000	£'000
Acquisition related costs	427	-	-	-	-
	427	-	-	-	-

Items included in administrative expenses that are material, either because of size or their nature and that are non-recurring are considered as non-underlying items. The group incurred acquisition related costs of £427,000 in 2018 in respect of its acquisition of Blenheim Group Limited. Further details relating to this acquisition are provided in note 23.

6. Employees

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
Employee benefit expense:	£'000	£'000	£'000	£'000	£'000
Employee remuneration (including directors' remuneration)	17,486	24,088	26,960	13,054	14,256
Commissions and bonuses	9,762	13,224	15,023	7,800	8,396
Social security costs	3,230	4,291	4,694	2,344	2,582
Pension costs	469	632	918	444	508
Share-based payments expense	144	338	271	120	154
	31,091	42,573	47,866	23,762	25,896
Classified as follows:					
Cost of sales	3,999	6,033	6,981	3,359	3,646
Administrative expenses	27,092	36,540	40,885	20,403	22,250
	31,091	42,573	47,866	23,762	25,896

Key management personnel compensation:

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
	£'000	£'000	£'000	£'000	£'000
Short-term employee benefits (including bonuses)	1,961	2,160	2,460	1,009	981
Pension costs	51	91	96	51	43
	2,012	2,251	2,556	1,060	1,024

The group considers the directors to be key management personnel. During the 6-month period to 31 August 2020 retirement benefits were accruing to 7 directors (29 February 2020, 28 February 2019 and 2018: 7) in respect of defined contribution pension schemes.

During the 6-month period to 31 August 2020, no directors have exercised their B ordinary shares in respect of either of the Bytes Group Limited Employee Share Scheme or the Blenheim Group Employee Share Scheme (29 February 2020, 28 February 2019 and 2018: Nil).

M Nyati is a director of Bytes Technology Limited and a director of other subsidiaries within the group. M Nyati has an employment contract with Allied Electronics Limited. M Nyati's emoluments are paid by Allied Electronics Limited which makes no recharge to the group, since it is not possible to make an accurate apportionment of his emoluments. Accordingly, the above details do not include emoluments in respect of M Nyati. His total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of Allied Electronics Limited.

7. Finance income and costs

	Year ended 28 February 2018	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**6-month period ended 31 August 2019 Unaudited**	**6-month period ended 31 August 2020**
Finance income	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bank interest received	20	85	158	85	24
Finance income	20	85	158	85	24
Finance costs					
Interest expense on financial liabilities measured at amortised cost	(58)	(1)	(2)	(1)	(2)
Interest expense on lease liability	-	-	(80)	(40)	(38)
Finance costs expensed	(58)	(1)	(82)	(41)	(40)
Net finance (costs)/income	(38)	84	76	44	(16)

8. Income tax expense

The major components of the group's income tax expense for all periods are:

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
Current tax expense	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current income tax charge in the year	2,213	3,886	5,912	3,215	3,898
Adjustment in respect of current income tax of previous years	(8)	4	(7)	-	-
Total current income tax charge	2,205	3,890	5,905	3,215	3,898
Deferred tax expense/(credit)					
Origination and reversal of timing differences	(100)	(249)	(149)	(141)	(141)
Adjustments in respect of prior years	6	2	6	-	-
Deferred tax credit	(94)	(247)	(143)	(141)	(141)
Total tax charge	2,111	3,643	5,762	3,074	3,757

Reconciliation of total tax charge
The tax assessed for the year differs from the standard rate of corporation tax in the UK applied to profit before tax.

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Profit before income tax	10,200	18,779	29,920	15,806	19,514
Profit before income tax at the standard rate of corporation tax in the UK of 19% for all periods	1,947	3,568	5,685	3,004	3,708
Effects of:					
Non-deductible expenses	174	76	166	115	106
Tax credit in respect of qualifying R&D expenditure	(16)	(46)	(67)	(34)	(43)
Adjustment to previous periods	(2)	6	(18)	-	-
Other differences	8	39	(4)	(11)	(14)
Income tax charge reported in profit or loss	2,111	3,643	5,762	3,074	3,757

Changes affecting the future tax charge:
At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. A further reduction to 17% for the year starting 1 April 2020 was announced at Budget 2016. Deferred taxes for the years ended 28 February 2018, 2019 and 29 February 2020 and for the 6-month period ended 31 August 2019 have been measured using these enacted tax rates and are reflected in these financial statements. On 11 March 2020, the main rate was reinstated to 19% and this was substantively enacted on 17 March 2020. Deferred taxes for the 6-month period ended 31 August 2020 have been measured using the reinstated main rate of 19%.

9. Property, plant and equipment

	Freehold land and buildings £'000	Computer equipment £'000	Furniture, fittings and equipment £'000	Computer software £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 March 2017	5,220	817	387	510	36	6,970
Acquisition of subsidiary	1,765	340	20	-	-	2,125
Additions	-	143	84	-	-	227
Disposals	-	(170)	(3)	-	-	(173)
At 28 February 2018	6,985	1,130	488	510	36	9,149
Additions	120	339	471	101	32	1,063
Disposals	-	(152)	-	-	(4)	(156)
At 28 February 2019	7,105	1,317	959	611	64	10,056
Additions	896	454	353	13	29	1,745
Disposals	(5)	(347)	(45)	-	(10)	(407)
Reclassification	294	-	(294)	-	-	-
At 29 February 2020	8,290	1,424	973	624	83	11,394
Additions	62	90	27	-	143	322
Disposals	-	-	(30)	-	(10)	(40)
At 31 August 2020	8,352	1,514	970	624	216	11,676
Depreciation						
At 1 March 2017	481	660	147	444	22	1,754
On disposals	-	(167)	(2)	-	-	(169)
Charge for the year	71	150	235	36	-	492
At 28 February 2018	552	643	380	480	22	2,077
On disposals	-	(149)	-	-	(4)	(153)
Charge for the year	192	306	114	39	11	662
At 28 February 2019	744	800	494	519	29	2,586
On disposals	(2)	(347)	(38)	-	(10)	(397)
Charge for the year	261	305	58	44	16	684
At 29 February 2020	1,003	758	514	563	35	2,873
On disposals	-	-	(19)	-	(3)	(22)
Charge for the period	172	84	53	19	77	405
At 31 August 2020	1,175	842	548	582	109	3,256
Net book value						
At 28 February 2018	6,433	487	108	30	14	7,072
At 28 February 2019	6,361	517	465	92	35	7,470
At 29 February 2020	6,993	666	753	61	48	8,521
At 31 August 2020	7,177	672	422	42	107	8,420

10. Leases

(i) Amounts recognised in the balance sheet

Right-of-use assets	Buildings £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 March 2019	1,377	245	1,622
At 29 February 2020 and 31 August 2020	1,377	245	1,622
Depreciation			
At 1 March 2019	-	-	-
Charge for the year	162	128	290
At 29 February 2020	162	128	290
Charge for the period	83	47	130
At 31 August 2020	245	175	420
Net book value			
At 1 March 2019	1,377	245	1,622
At 29 February 2020	1,215	117	1,332
At 31 August 2020	1,132	70	1,202

Lease liabilities	1 March 2019 £'000	29 February 2020 £'000	31 August 2020 £'000
Current	307	307	256
Non-current	1,315	1,295	1,252
	1,622	1,602	1,508

There were no additions to the right-of-use assets during the 6-month period to 31 August 2020 (financial year ended 29 February 2020: £Nil).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
Depreciation charge of right-of-use assets	**£'000**	**£'000**	**£'000**
Buildings	162	79	83
Motor vehicles	128	67	47
	290	146	130
Interest expense (included in finance cost)	80	40	38
Expense relating to short-term leases (included in administrative expenses)	54	27	27
Expense relating to leases of low-value assets (included in administrative expenses)	24	27	95

The total cash outflow for leases was £207,000 for the year ended 29 February 2020 and £132,000 for the 6-month period ended 31 August 2020 (£70,000 for the 6-month period ended 31 August 2019).

11. Intangible assets

	Goodwill £'000	Customer relationships £'000	Brand £'000	Total £'000
Cost				
At 1 March 2017	14,775	-	-	14,775
Acquisition of subsidiary	22,718	8,798	3,653	35,169
At 28 February 2018, 2019, 2020 and 31 August 2020	37,493	8,798	3,653	49,944
Amortisation				
At 1 March 2017	-	-	-	-
Charge for the year	-	367	304	671
At 28 February 2018	-	367	304	671
Charge for the year	-	880	730	1,610
At 28 February 2019	-	1,247	1,034	2,281
Charge for the year	-	880	730	1,610
At 29 February 2020	-	2,127	1,764	3,891
Charge for the period		440	365	805
At 31 August 2020	-	2,567	2,129	4,696
Net book value				
At 28 February 2018	37,493	8,431	3,349	49,273
At 28 February 2019	37,493	7,551	2,619	47,663
At 29 February 2020	37,493	6,671	1,889	46,053
At 31 August 2020	37,493	6,231	1,524	45,248

Determination of recoverable amount:

The carrying value of indefinite useful life intangible assets and goodwill are tested annually for impairment. The recoverable amount of each cash generating unit (CGU) is the higher of the CGU's fair value less costs of disposal and its value in use. For each CGU and for all periods presented, the group has assessed that the value in use represents the recoverable amount. The future expected cash flows used in the value in use models are based on management forecasts, typically over a five-year period, and thereafter a reasonable rate of growth is applied based on current market conditions. For the purpose of impairment assessments of goodwill, the goodwill balance is allocated to the operating units which represent the lowest level within the group at which the goodwill is monitored for internal management purposes.

A summary of the goodwill per CGU as well as assumptions applied for impairment assessment purposes is presented below:

6-month period ended 31 August 2020

During the 6-month period to 31 August 2020, the group successfully integrated the Bytes Security Partnership into the Bytes Software Services business. The £6,934,000 carrying value of goodwill previously allocated to Bytes Security Partnership has been re-allocated to the Bytes Software Services CGU. The goodwill per CGU as at 31 August 2020 is as follows:

	Goodwill carrying amount £'000
Bytes Software Services	14,775
Phoenix Software	22,718
	37,493

Years ended 29 February 2020 and 28 February 2019 and 2018

For the years ended 29 February 2020 and 28 February 2019 and 2018, goodwill was monitored in the three CGUs described below:

29 February 2020	**Long term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	2	8.13	7,841
Bytes Security Partnership	2	8.13	6,934
Phoenix Software	2	8.13	22,718
			37,493

28 February 2019	**Long term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	2	11.70	7,841
Bytes Security Partnership	2	11.70	6,934
Phoenix Software	2	11.70	22,718
			37,493

28 February 2018	**Long term growth rate %**	**Discount rate %**	**Goodwill carrying amount £'000**
Bytes Software Services	2	7.55 – 12.73	7,841
Bytes Security Partnership	2	7.55 – 12.73	6,934
Phoenix Software	2	7.55 – 12.73	22,718
			37,493

Growth rates
Steady growth rates were applied beyond the approved budget periods. The growth rates were consistent with publicly available information relating to long-term average growth rates for each of the markets in which the respective CGU operated. The average growth rates ranged from 2% to 5% (2019: 2% – 7%).

Discount rates
Discount rates used reflect both time value of money and other specific risks relating to the relevant CGU. Pre-tax discount rates have been applied.

Sensitivities
The impacts of variations in the calculation of value-in-use of assumed growth rate and pre-tax discount rates applied to the estimated future cash flows of the CGUs have been estimated as follows:

28 February 2018	**Bytes Software Services £'000**	**Bytes Security Partnership £'000**	**Phoenix Software £'000**
Headroom	138,510	28,623	7,933
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(23,648)	(5,934)	(2,917)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	33,210	8,919	3,446
0.5% increase in the terminal growth rate from 2019 to 2023	5,008	638	347
0.5% decrease in the terminal growth rate from 2019 to 2023	(4,916)	(629)	(344)

28 February 2019	**Bytes Software Services £'000**	**Bytes Security Partnership £'000**	**Phoenix Software £'000**
Headroom	116,440	16,981	45,413
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(20,381)	(1,500)	(11,370)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	28,619	1,801	15,970
0.5% increase in the terminal growth rate from 2020 to 2024	5,445	488	1,626
0.5% decrease in the terminal growth rate from 2020 to 2024	(5,314)	(479)	(1,602)

29 February 2020	**Bytes Software Services £'000**	**Bytes Security Partnership £'000**	**Phoenix Software £'000**
Headroom	333,967	44,215	52,253
1% increase in the pre-tax discount rate applied to the estimated future cash flows	(43,296)	(7,463)	(10,891)
1% decrease in the pre-tax discount rate applied to the estimated future cash flows	60,156	10,369	15,132
0.5% increase in the terminal growth rate from 2021 to 2025	7,475	1,363	1,969
0.5% decrease in the terminal growth rate from 2021 to 2025	(7,344)	(1,339)	(1,933)

None of the above sensitivities taken either in isolation or aggregated, require any additional impairment charge to be made.

12. Inventories

	As at 28 February 2018 £'000	As at 28 February 2019 £'000	As at 29 February 2020 £'000	As at 31 August 2020 £'000
Inventories	1,661	94	688	746
	1,661	94	688	746

Inventories include asset management subscription licences purchased in advance for a specific customer that as yet haven't been consumed.

Inventories recognised as an expense in cost of sales during the period ended 31 August 2020 amounted to £439,000 (29 February 2020: £94,000, 28 February 2019: £1,861,000 and 28 February 2018: £98,000).

13. Financial assets and financial liabilities

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group;
- specific information about each type of financial instrument;
- accounting policies; and
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The group holds the following financial instruments:

Financial assets	**Notes**	**As at 28 February 2018 £'000**	**As at 28 February 2019 £'000**	**As at 29 February 2020 £'000**	**As at 31 August 2020 £'000**
Financial assets classified as loans and receivables:					
Trade receivables	**14**	43,195	-	-	-
Other financial assets	**14**	3,103	-	-	-
		46,298	-	-	-
Financial assets at amortised cost:					
Trade receivables	**14**	-	52,168	73,365	95,808
Other financial assets	**14**	-	1,987	1,808	3,094
		-	54,155	75,173	98,902

Financial liabilities	**Notes**	**As at 28 February 2018 £'000**	**As at 28 February 2019 £'000**	**As at 29 February 2020 £'000**	**As at 31 August 2020 £'000**
Financial liabilities at amortised cost:					
Trade and other payables – current, excluding Payroll tax and other statutory liabilities	**16**	68,211	84,592	111,129	128,069
Lease liabilities	**10**	-	-	1,602	1,508
		68,211	84,592	112,731	129,577

The group's exposure to various risks associated with the financial instruments is discussed in note 21. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

14. Trade and other receivables

	As at 28 February 2018	As at 28 February 2019	As at 29 February 2020	As at 31 August 2020
Financial assets	**£'000**	**£'000**	**£'000**	**£'000**
Gross trade receivables	43,195	52,644	73,767	96,532
Less: impairment allowance	-	(476)	(402)	(724)
Net trade receivables	43,195	52,168	73,365	95,808
Other receivables	3,103	1,987	1,808	3,094
	46,298	54,155	75,173	98,902
Non-financial assets				
Prepayments	455	443	1,921	366
	455	443	1,921	366
Trade and other receivables	46,753	54,598	77,094	99,268

(i) Classification of trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies are provided in note 1.18.

(ii) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(iii) Credit risk

Ageing and impairment analysis (excluding finance lease assets)

Initial application of IFRS 9

On adoption of IFRS 9 'Financial Instruments', the group recognised an expected credit loss provision of £446k on 1 March 2018, the details of which are presented below:

1 March 2018	**Current**	**Past due 0 to 30 days**	**Past due 31 to 120 days**	**Past due 121 to 365 days**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Expected loss rate	0.03%	0.50%	14.86%	-	
Gross carrying amount – trade receivables	36,827	4,462	1,745	161	43,195
Loss allowance on initial application of IFRS 9 charged to equity	10	22	259	155	446

28 February 2019	**Current**	**Past due 0 to 30 days**	**Past due 31 to 120 days**	**Past due 121 to 365 days**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Expected loss rate	0.03%	0.33%	15.51%	-	
Gross carrying amount – trade receivables	43,040	6,756	2,843	5	52,644
Loss allowance	13	22	441	-	476

28 February 2020	**Current**	**Past due 0 to 30 days**	**Past due 31 to 120 days**	**Past due 121 to 365 days**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Expected loss rate	0.02%	0.28%	13.41%	95.61%	
Gross carrying amount – trade receivables	59,410	12,445	1,792	120	73,767
Loss allowance	12	35	240	115	402

31 August 2020	**Current**	**Past due 0 to 30 days**	**Past due 31 to 60 days**	**Past due 61 to 120 days**	**Past due 121 to 365 days**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Expected loss rate	0.04%	0.54%	1.29%	15.46%	100%	
Gross carrying amount – trade receivables	57,067	24,056	13,937	1,281	191	96,532
Loss allowance	25	130	180	198	191	724

Impact of Covid-19

During the period to 31 August 2020, the group has revised the expected credit loss rates for the impact of Covid-19 and altered the payment profiles of balances associated with certain customers. To represent the effects of this, the group has split the past due 31 to 120 days ageing profile into two separate ageing profiles, being past due 31 to 60 days and past due 61 to 120 days. The loss allowances applied to both ageing profiles are based on the historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The closing loss allowances for trade receivables reconcile to the opening loss allowances as follows:

	Trade receivables			
	As at 28 February 2018	**As at 28 February 2019**	**As at 29 February 2020**	**As at 31 August 2020**
	£'000	**£'000**	**£'000**	**£'000**
Adjustment on initial application of IFRS 9	-	446	-	-
Opening loss allowance at 1 March	-	-	476	402
Increase in loss allowance recognised in profit or loss during the period	-	30	-	347
Receivables written off during the year as uncollectible	-	-	(74)	(25)
Closing loss allowance	-	476	402	724

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

15. Cash and cash equivalents

	As at 28 February 2018 £'000	As at 28 February 2019 £'000	As at 29 February 2020 £'000	As at 31 August 2020 £'000
Cash at bank and in hand	6,706	26,038	47,357	31,928
	6,706	26,038	47,357	31,928

16. Trade and other payables

	As at 28 February 2018 £'000	As at 28 February 2019 £'000	As at 29 February 2020 £'000	As at 31 August 2020 £'000
Trade and other payables	51,520	62,903	90,141	109,503
Accrued expenses	16,691	21,689	20,988	18,566
Payroll tax and other statutory liabilities	4,563	4,439	5,381	2,550
	72,774	89,031	116,510	130,619

Trade payables are unsecured and are usually paid between 30 and 45 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

17. Deferred tax balances

The analysis of the deferred tax assets and liabilities is as follows:

Deferred tax assets	As at 28 February 2018 £'000	As at 28 February 2019 £'000	As at 29 February 2020 £'000	As at 31 August 2020 £'000
At 1 March	9	-	-	-
Credited/(charged) to profit or loss	-	-	-	-
Set-off of deferred tax liabilities	(9)	-	-	-
Carrying amount at end of year	-	-	-	-

Deferred tax liabilities	As at 28 February 2018 £'000	As at 28 February 2019 £'000	As at 29 February 2020 £'000	As at 31 August 2020 £'000
At 1 March	139	2,285	2,038	1,895
Acquisition of subsidiary	2,249	-	-	-
(Credited)/charged to profit or loss	(94)	(247)	(143)	(141)
Set-off of deferred tax liabilities	(9)	-	-	-
Carrying amount at end of year	2,285	2,038	1,895	1,754

Deferred tax assets and liabilities are attributed to temporary differences relating to the following:

	As at 28 February 2018 £'000	As at 28 February 2019 £'000	As at 29 February 2020 £'000	As at 31 August 2020 £'000
Intangible assets	2,040	1,769	1,488	1,347
Property, plant and equipment	245	269	407	407
Carrying amount at end of year	2,285	2,038	1,895	1,754

18. Share capital

	As at 28 February 2018	As at 28 February 2019	As at 29 February 2020	As at 31 August 2020
Authorised, allotted, called up and fully paid	**£**	**£**	**£**	**£**
1 (2019 and 2018: 1) – A ordinary share of £1	1	1	1	1
1,000 (2019 and 2018: 1,000) – B ordinary shares of £0.001 each	1	1	1	1
	2	2	2	2

(1) Voting rights
Each holder of A ordinary and B ordinary shares shall be entitled to receive notice of, attend, vote and speak at any general meetings of the company.

No business shall be transacted at any general meeting of the company save by way of a poll, and, on a poll, each holder of B ordinary shares who holds in excess of 200 B ordinary shares, shall hold, in aggregate and total, 5% of the total number of votes held by all of the holders of A ordinary shares and B ordinary shares, whether or not they are present at the meeting, provided always that if there are more than 5 holders of B ordinary shares who hold in excess of 200 B ordinary shares, then those holders of in excess of 200 B ordinary shares shall be entitled, in aggregate, to a maximum of 25% of the total votes, divided equally between the holders of in excess of 200 B ordinary shares.

The balance of the votes not allocated to the holders of B ordinary shares shall be held by the holders of the A ordinary shares, such that the votes held by the holders of the A ordinary shares will, in aggregate and total, be equal to or not less than 75 per cent of the total votes capable of being cast by the shareholders at that meeting

(2) Dividend rights
The A ordinary shareholders are entitled to receive dividends. The B ordinary shareholders are not entitled to receive dividends.

(3) Distribution rights
On a return of capital (including but not limited to a winding up of the company or an asset sale of the company), the proceeds or surplus assets of the company remaining after the payment of its liabilities shall be distributed in the following order of priority:

First, if there are any preference shares at a fixed rate of £0.001 in issue, in paying (on a pro rata basis if applicable) to the holders of fixed rate preference shares:

- Any outstanding fixed rate preference dividends to the holder to whom it is due (including interest); and
- The converted price for each fixed rate preference share.

Second, if there are any B ordinary shares in issue, in paying to the holders of the B ordinary shares, the B ordinary share entitlement for each B ordinary share held by them; and

Third, in paying the balance of such assets, by way of distribution, amongst holders of the A ordinary shares.

(4) Redemption rights
The A ordinary shares are not redeemable.

The company shall upon a written request made by a holder of B ordinary shares within the period of 6 months from the date of the issue of the relevant B ordinary shares, either redeem, repurchase or procure the acquisition of, from the holder of one or more B ordinary shares, all of the B ordinary shares held by such person for the aggregate price of £2,000.

19. Retained earnings

Movements in retained earnings were as follows:	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	Period ended 31 August 2020
	£	£	£	£
Balance 1 March/1 September	24,975	33,064	41,254	51,612
Adjustment on initial application of IFRS 9 and IFRS 15	-	(446)		
Restated at the beginning of the financial year	24,975	32,618	41,254	51,612
Net profit for the period	8,089	15,136	24,158	15,757
Dividends	-	(6,500)	(13,800)	(18,600)
	33,064	**41,254**	**51,612**	**48,769**

20. Cash generated from operations

	Note	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
		£'000	£'000	£'000	£'000	£'000
Profit before taxation		10,200	18,779	29,920	15,806	19,514
Adjustments for:						
Depreciation and amortisation	4	1,163	2,272	2,584	1,274	1,340
Loss on disposal of property, plant and equipment	4	4	3	10	-	18
Non-cash employee benefits expense – share based payments	4	144	338	271	120	154
Finance (income)/costs - net	7	38	(84)	(76)	(44)	16
(Increase)/decrease in contract assets		(1,202)	(4,750)	2,971	882	(2,327)
Increase in trade and other receivables		(13,808)	(8,291)	(22,496)	(6,358)	(22,174)
(Increase)/decrease in inventories		(1,031)	1,567	(594)	(631)	(58)
Increase/(decrease) in trade and other payables		17,363	16,257	27,586	(15,463)	14,109
Increase/(decrease) in contract liabilities		(87)	3,801	1,523	5,665	(545)
Cash generated from operations		**12,784**	**29,892**	**41,699**	**1,251**	**10,047**

21. Financial risk management

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

A significant portion of the group's revenues are from the sale of Microsoft software and associated services and it, therefore, remains strongly dependent thereon. The group intends to continue to develop this relationship, as well as seek additional opportunities with other suppliers, in order to mitigate the risk and exposure going forward.
Management monitors the liquidity and cash flow risk of the group carefully. Cash flow is monitored by management on a regular basis and any working capital requirement is funded by cash resources.
The main financial risks arising from the group's activities are credit, liquidity and currency risks. The group's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made.

The group's policy in respect of liquidity risk is to maintain 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 group'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, 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.

21(a) Derivatives

Derivatives are only used for economic hedging purposes and not speculative investments.

The group has taken out forward currency contracts during the periods presented, but has not recognised either a forward currency asset or liability at each period end as the fair value of the foreign currency forwards is considered to be immaterial to the financial statements. Similarly, the amounts recognised in profit or loss in relation to derivatives were considered immaterial to disclose separately.

(i) Foreign exchange risk
The group's exposure to foreign currency risk at the end of the reporting period, was as follows:

	As at 28 February 2018		As at 28 February 2019		As at 29 February 2020		As at 31 August 2020	
	USD £'000	EUR £'000	USD £'000	EUR £'000	USD £'000	EUR £'000	USD £'000	EUR £'000
Trade receivables	5,681	21	5,790	11	8,057	397	11,649	11,786
Cash and cash equivalents	714	487	2,279	218	4,627	283	978	653
Trade payables	(5,970)	(5,986)	(10,006)	(6,176)	(14,873)	(6,323)	(8,990)	(16,850)
	425	(5,478)	(1,937)	(5,947)	(2,189)	(5,643)	3,637	(4,411)

The aggregate net foreign exchange gains/losses recognised in profit or loss were:

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
	£'000	£'000	£'000	£'000	£'000
Total net foreign exchange gains/(losses) in profit or loss	24	135	24	32	(6)
	24	135	24	32	(6)

21(b) Liquidity risk

(1) Cash management
Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. The group generates positive cash flows from operating activities and these fund short-term working capital requirements. The group aims to maintain significant cash reserves and none of its cash reserves are subject to restrictions. Access to cash is not restricted and all cash balances could be drawn upon immediately if required. Management carefully monitors the levels of cash deposits and is comfortable that for normal operating requirements, no external borrowings are currently required.

At 31 August 2020, the group had cash and cash equivalents of £31.9m, see note 15. As disclosed in note 26, the group has made a dividend payment of £30m on 28 September 2020. Management monitors rolling forecasts of the group's liquidity position (which comprises its cash and cash equivalents) on the basis of expected cash flows generated from the group's operations. These forecasts are generally carried out at a local level in the operating companies of the group in accordance with practice and limits set by the group and take into account certain down case scenarios. In the period since 31 August 2020, the group has outperformed these forecasts and maintains sufficient cash levels to support its working capital requirements, following the payment of the dividend.

The group also has access to an uncommitted financing facility which at present remains undrawn, which entitles the group to borrow an additional £20m.

As discussed in note 26, in the event of the potential demerger and separate listing of the group taking place, the group has agreed with HSBC the terms of a 3-year committed Revolving Credit Facility (RCF) of £50 million for the first 12 months, reducing to £40 million for the following 12 months and to £30 million thereafter. The RCF is conditional upon the listing occurring by 6 January 2021.

(2) Contractual maturity of financial liabilities
The following table details the group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
28 February 2018	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	51,520	-	-	-	51,520	51,520
	51,520	-	-	-	51,520	51,520
28 February 2019						
Trade and other payables	62,903	-	-	-	62,903	62,903
	62,903	-	-	-	62,903	62,903
29 February 2020						
Trade and other payables	90,141	-	-	-	90,141	90,141
Lease liabilities	324	230	690	748	1,992	1,602
	90,465	230	690	748	92,133	91,743
31 August 2020						
Trade and other payables	109,503	-	-	-	109,503	109,503
Lease liabilities	302	230	690	633	1,855	1,508
	109,805	230	690	633	111,358	111,011

22. Capital management

22(a) Risk management

For the purpose of the group's capital management, capital includes issued capital, A ordinary shares, B Ordinary shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to maximise the shareholder value.

The group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the shareholders. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In order to ensure an appropriate return for shareholder's capital invested in the group management thoroughly evaluates all material revenue streams, relationship with key vendors and potential acquisitions and approves them by the Board, where applicable. The group's dividend policy is based on the profitability of the business and underlying growth in earnings of the group, as well as its capital requirements and cash flows.

22(b) Dividends

	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2020
A Ordinary shares	**£'000**	**£'000**	**£'000**
Final dividend for the year ended 28 February 2019 of £6,500,000 per share	6,500		
Final dividend for the year ended 28 February 2020 of £13,800,000 per share		13,800	
Final dividend for the period ended 31 August 2020 of £18,600,000 per share			18,600
	6,500	**13,800**	**18,600**

23. Business combinations

On 29 September 2017, the group acquired 100% of the issued share capital of Blenheim Group Limited. Blenheim Group Limited is the holding company of Phoenix Software Limited, a business focused on the resale of software products and associated services. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	£'000
Cash paid	35,900
Total purchase consideration	**35,900**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value **£'000**
Property, plant and equipment	2,125
Intangible assets – customer relationships	8,798
Intangible assets – brand	3,653
Inventories	532
Trade and other receivables	13,059
Cash	3,962
Trade and other payables	(16,766)
Deferred tax	(2,249)
Corporation tax	68
Net identifiable assets acquired	13,182
Goodwill arising on acquisition	22,718
Net assets acquired	35,900
Less: cash acquired	(3,962)
Net cash outflow on acquisition	**31,938**

The goodwill is attributable to the future revenues and economies of scale expected from combining the operations of the group and Blenheim Group Limited. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition related costs of £427k have been included in administrative expenses and separately disclosed as non-underlying items, see note 5.

The acquired business contributed revenues of £44.5m and profit after taxation of £1.1m to the group for the period from 29 September 2017 to 28 February 2018. If the acquisition had occurred on 1 March 2017, consolidated pro-forma revenue and profit after taxation for the year ended 28 February 2018 would have been £410.4m and £10.7m, respectively.

There were no acquisitions in the years ended 28 February 2019 and 29 February 2020.

24. Contingent liabilities

In 2019 the Altron group renegotiated its long-term debt financing with the banks at more favourable terms. A long-term facility of R2 billion (£107.0m, converted at the 28 February 2019 closing rate of R18.69:£1) was granted to the Altron group of which R1.6 billion (£70.6m, converted at the 31 August 2020 closing rate of R22.67:£1) was drawn at 31 August 2020 (R1.733 billion (£86.2m, converted at the 29 February 2020 closing rate of R20.10:£1) was drawn at 29 February 2020 (2019: R1.3 billion (£69.6m, converted at the 28 February 2019 closing rate of R18.69:£1)). The contracting party with the banks is Alfin (Altron Treasury), and as part of the common terms agreement, Bytes Software Services Limited (a wholly owned subsidiary included in the group consolidated historical financial information), along with other fellow Altron group companies, was included as a guarantor in the event that Alfin is unable to meet its financial obligations. No payment is expected to be made by the group under the guarantee and there is no evidence to suggest that Alfin is unable to meet its financial obligations as they fall due under the terms of the facility. The group is jointly and severally liable along with other fellow Altron group companies and its maximum potential exposure is to the total amount due. As discussed in note 26 below, there is the potential for a demerger and separate listing of the group. In the event of the demerger and separate listing taking place, Bytes Software Services Limited will be released from its commitment to act as a guarantor for this facility.

25. Commitments

25(a) Capital commitments

At 31 August 2020, the group had £Nil capital commitments (29 February 2020, 28 February 2019 and 2018: £Nil).

25(b) Non-cancellable operating leases

The group leases one office and various motor vehicles and equipment. Rental contracts are typically made for fixed periods of 6 months to 8 years but may have extension options.

From 1 March 2019, the group recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 10 for further information.

	As at 28 February 2018 £'000	**As at 28 February 2019 £'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	357	517
Later than one year but not later than five years	275	1,518
	632	2,035

26. Events occurring after the reporting period

Potential demerger and separate listing of the group from Allied Electronics Corporation Limited

As part of its strategic review, the Board of Allied Electronics Corporation Limited ("the Altron Board") assessed each of the business units within its group, to identify opportunities which have the potential to unlock further value for its shareholders and to streamline its operations. The Altron Board concluded that the true value of the group, is not reflected in the Allied Electronics Corporation Limited's share price.

Consequently, the Altron Board has resolved to pursue:

- a potential listing and potential share offering of the group on the London Stock Exchange;
- a secondary listing of the group on the Johannesburg Stock Exchange ("JSE"); and
- a demerger of the remaining Altron shareholding in the group, post the potential share offering to Altron shareholders (collectively referred to as "the Potential Transaction").

The board of Altron has recommended to the shareholders to vote in favour of the Potential Transaction and it is expected that the transaction will conclude by the end of 2020.

Dividends not recognised at the end of the reporting period
In addition to the dividends disclosed in note 22(b), since the period end the group has made a further dividend payment of £30,000,000 per fully paid A ordinary share. The aggregate amount of the dividend paid on 28 September 2020 out of retained earnings at 31 August 2020, but not recognised as a liability at the period end, is £30,000,000.

Shares split
(i) A ordinary shares
On 19 October 2020 a written resolution was passed to sub-divide the 1 A ordinary share of £1 in the capital of Bytes Technology Limited into 10,000 A ordinary shares of £0.0001 each.

(ii) B ordinary shares
On 19 October 2020 a written resolution was passed to sub-divide the 1,000 B ordinary shares of £0.001 in the capital of Bytes Technology Limited into 1,000 B ordinary shares of £0.0001 each and 1,000 B deferred shares of £0.0009 each.

Revolving Credit Facility
In the event of the potential demerger and separate listing of the group taking place, the group has agreed with HSBC the terms of a 3-year committed Revolving Credit Facility (RCF) of £50 million for the first 12 months, reducing to £40 million for the following 12 months and to £30 million thereafter. The RCF is conditional upon the listing occurring by 6 January 2021.

27. Related party transactions

27(a) Parent entities
The group's immediate parent company is Bytes Technology Group (Pty) Limited, a company incorporated in the Republic of South Africa.

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

27(b) Subsidiaries
Interests in subsidiaries are set out in note 32.

27(c) Transactions with other related parties
The following transactions occurred with related parties:

	Year ended 28 February 2018 £'000	**Year ended 28 February 2019 £'000**	**Year ended 29 February 2020 £'000**	**6-month period ended 31 August 2020 £'000**
Purchase of services				
Management services provided by fellow group company	124	50	50	25
Other transactions				
Dividends paid to parent	-	(6,500)	(13,800)	(18,600)

27(d) Outstanding balances arising from sales/purchases of services
There were no outstanding balances at the end of each reporting period.

28. Share-based payments

28 (a) Employee Share Scheme (ESS) - Equity settled share-based payment incentive schemes
The group operates two equity settled share-based payment incentive schemes, the Bytes Technology Limited scheme and the Blenheim Group Limited scheme. The Bytes Technology Limited scheme vests on 1 March 2021 and the Blenheim Group Limited scheme vests on 1 March 2023.

(1) Bytes Technology Limited scheme
On 15 November 2016, Bytes Technology Limited issued and allotted B ordinary shares to certain members of its management at £0.001. The value of the shares will be determined by taking the average profitability of Bytes Technology Limited in the two years immediately preceding 28 February 2021 multiplied by a market multiple to be determined at the vesting date. The B ordinary shares participate in 20% of the growth above the pre-determined hurdle. These shares carry no dividend rights. Upon vesting of the B ordinary shares, the B ordinary shares are converted into Fixed Rate Preference Shares (FRPS), the FRPS are immediately converted into A ordinary shares or Altron shares, at Altron's election. The A ordinary shares shall rank pari passu in all respects with the existing A ordinary shares, including the right to receive all dividends declared, made or paid after the vesting date. In the event of an initial public offering (IPO) occurring before the vesting date, the B ordinary shareholders shall receive an agreed consideration of £14.3m for the shares and 5% of the issued share capital of the listed Bytes UK company. Any share-based payment expense resulting from accelerating the vesting period of the shares, will be immediately recognised in profit or loss on settlement.

(2) Blenheim Group Limited scheme
On 10 February 2020 Blenheim Group Limited issued and allotted B ordinary shares to certain members of its management at £0.001. The value of the shares will be determined by taking the average profitability of the Blenheim Group of companies, including Blenheim Group Limited, Phoenix Software Limited and License Dashboard Limited (all wholly owned subsidiaries of Bytes Technology Limited) in the two years immediately preceding 28 February 2023 multiplied by a market multiple to be determined at the vesting date. The B ordinary shares participate in 15% of the growth above the pre-determined hurdle. These shares carry no dividend rights. Upon vesting of the B ordinary shares, the B ordinary shares are converted into Fixed Rate Preference Shares (FRPS), the FRPS are immediately converted into A ordinary shares in Blenheim Group Limited or Altron shares, at Altron's election. In the event of an initial public offering (IPO) occurring before the vesting date, Bytes Technology Limited will exercise its Drag Along Rights and terminate the scheme on listing. In this situation, the value of the shares will be determined by taking the average profits for the Blenheim Group of companies in the preceding 24 months. Any share-based payment expense resulting from accelerating the vesting period of the shares, will be immediately recognised in profit or loss on termination.

None of the B ordinary shares in either Bytes Technology Limited or Blenheim Group Limited are exercisable at the reporting dates. The details of the Bytes Technology Limited and Blenheim Group Limited B ordinary shares in issue are as follows:

Bytes Technology Limited	**Number of shares**
B ordinary shares issued in Bytes Technology Limited as at 28 February 2018, 2019, 29 February 2020 and 31 August 2020	1,000

Blenheim Group Limited	**Number of shares**
B ordinary shares issued in Blenheim Group Limited as at 28 February 2018 and 2019	-
B ordinary shares issued in Blenheim Group Limited on 10 February 2020	1,000
B ordinary shares issued in Blenheim Group Limited as at 29 February 2020 and 31 August 2020	1,000

28 (b) Fair value and assumptions of B ordinary shares awarded

(1) Bytes Technology Limited Scheme

		15 November 2016
Fair value at grant date	(GBP)	3.00
Share price	(GBP)	65.76
Exercise price	(GBP)	72.33
Expected volatility	(%)	25.00
Vesting period	(years)	5
Dividend yield	(%)	9.3
Risk-free interest rate	(%)	1.40

The fair value of the services received is measured using the Binomial Approach Model.

The expected volatility is based on the average historic volatility of peer group companies (based on the vesting period remaining).

The weighted average remaining period to vesting on the B ordinary shares at the end of the 6-month period to 31 August 2020 was 0.5 years (29 February 2020: 1 year and 28 February 2019: 2 years).

(2) Blenheim Group Limited Scheme

		10 February 2020
Fair value at grant date	(GBP)	3.00
Share price	(GBP)	41.40
Exercise price	(GBP)	51.75
Expected volatility	(%)	30.30
Vesting period	(years)	3
Dividend yield	(%)	9.5
Risk-free interest rate	(%)	0.31

The fair value of the services received is measured using the Binomial Approach Model.

The expected volatility is based on the average historic volatility of peer group companies (based on the vesting period remaining).

The weighted average remaining period to vesting on the B ordinary shares at the end of the 6-month period was 2.5 years (29 February 2020: 3 years).

28(c) Share-based payment employee expenses

	Year ended 28 February 2018	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**6-month period ended 31 August 2019 Unaudited**	**6-month period ended 31 August 2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Equity settled share-based payment expenses	144	338	271	120	154
	144	338	271	120	154

29. Earnings per share

29(a) Basic earnings per share

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
Basic earnings per share	**£**	**£**	**£**	**£**	**£**
From profit for the period attributable to owners of the company	809	1,514	2,416	1,273	1,576
Total basic earnings per share attributable to owners of the company	809	1,514	2,416	1,273	1,576

29(b) Diluted earnings per share

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
Diluted earnings per share	**£**	**£**	**£**	**£**	**£**
From profit for the period attributable to owners of the company	728	1,362	2,174	1,146	1,418
Total diluted earnings per share attributable to owners of the company	728	1,362	2,174	1,146	1,418

29(c) Headline earnings per share

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
Headline earnings per share	**£**	**£**	**£**	**£**	**£**
From profit for the period attributable to owners of the company	809	1,514	2,416	1,273	1,576
Adjusted for:					
Loss on disposal of property, plant and equipment	-	-	1	-	2
Total headline earnings per share attributable to owners of the company	809	1,514	2,417	1,273	1,578

29(d) Diluted headline earnings per share

	Year ended 28 February 2018	Year ended 28 February 2019	Year ended 29 February 2020	6-month period ended 31 August 2019 Unaudited	6-month period ended 31 August 2020
Diluted headline earnings per share	**£**	**£**	**£**	**£**	**£**
From profit for the period attributable to owners of the company	728	1,362	2,174	1,146	1,418
Adjusted for:					
Loss on disposal of property, plant and equipment	-	-	1	-	2
Total diluted headline earnings per share attributable to owners of the company	728	1,362	2,175	1,146	1,420

29(e) Weighted average number of shares used as the denominator

	Year ended 28 February 2018 Number	Year ended 28 February 2019 Number	Year ended 28 February 2020 Number	6-month period ended 31 August 2019 Number	6-month period ended 31 August 2020 Number
Weighted average number of A ordinary shares used as the denominator in calculating basic earnings per share and headline earnings per share	10,000	10,000	10,000	10,000	10,000
Adjustments for calculation of diluted earnings per share and diluted headline earnings per share:					
- B Ordinary shares	1,111	1,111	1,111	1,111	1,111
Weighted average number of A ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share and diluted headline earnings per share	11,111	11,111	11,111	11,111	11,111

29(f) Information concerning the classification of securities

(i) Shares split

As discussed in note 26, On 19 October 2020 a written resolution was passed to sub-divide the 1 A ordinary share of £1 in the capital of Bytes Technology Limited into 10,000 A ordinary shares of £0.0001 each. The calculation of basic and diluted earnings per share for all periods presented have been retrospectively adjusted to reflect this share split.

(ii) B Ordinary shares

B ordinary shares issued to certain members of management under the Bytes Technology Limited Employee Share Scheme are considered to be potential ordinary shares since they are convertible to A ordinary shares if certain conditions are met. The B ordinary shares have therefore been included in the determination of diluted earnings per share and diluted headline earnings per share. The maximum total value of additional A ordinary shares resulting from the conversion of the B ordinary shares, will be no more than 10% of the total market value of the group at the date of conversion. The maximum value of 10% has been assumed for the purposes of calculating diluted earnings per share. The B ordinary shares have not been included in the determination of basic earnings per share or headline earnings per share. Details relating to the B ordinary shares are set out in note 28.

30. First-time adoption of IFRS

	IFRS opening balance sheet 1 March 2017 £'000
Assets	
Non-current assets	
Property, plant and equipment	5,216
Intangible assets	14,775
Deferred tax assets	9
Total non-current assets	**20,000**
Current assets	
Inventories	98
Trade and other receivables	23,046
Cash and cash equivalents	28,059
Total current assets	**51,203**
Total assets	**71,203**
Liabilities	
Non-current liabilities	
Lease liabilities	-
Deferred tax liabilities	(139)
Total non-current liabilities	**(139)**
Current liabilities	
Trade and other payables	(44,611)
Current tax liabilities	(1,061)
Lease liabilities	-
Total current liabilities	**(45,672)**
Total liabilities	**(45,811)**
Net assets	**25,392**
Equity	
Issued share capital	-
Share premium	-
Other reserves	417
Retained earnings	24,975
Total equity	**25,392**

31. Changes in accounting policies

31(a) IFRS 9 'Financial Instruments'

(1) Classification and measurement

On 1 March 2018 the group classified its financial assets into the appropriate IFRS 9 categories. Financial assets previously categorised as loans and receivables were reclassified as financial assets at amortised cost. The carrying values of the financial assets reclassified at 1 March 2018 were the same as at 28 February 2018, see note 13.

(2) Impairment of trade receivables

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in an increase of the loss allowance on 1 March 2018 of £476k. Note 14 provides further details about the calculation of the allowance.

31(b) IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 provides a comprehensive framework for recognising revenue from contracts with customers and replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations.

The adjustments recognised by the group on adoption of IFRS 15 shown below are recognised as equal reductions to both revenue and cost of sales with no impact on gross profit, operating profit or cashflow of the group. The balance sheet also remains unaffected by these adjustments.

In adopting IFRS 15, the group has made changes from principal to agent for the following revenue streams:
(1) Included within software revenue:
- Cloud-hosted software
- Security licensing
- Licenses where updates are critical to the effectiveness of the product

(2) Included within services revenue:
- Public-sector pass-through business
- Third party support and warranty products
- Third party training and consultancy services

Under IFRS 15, based on the concept of "control" and the transfer thereof and the change in the criteria to be considered when assessing whether an arrangement should be accounted for on a principal or agent basis, these arrangements are now accounted for by the group as an agent in terms of IFRS 15. One of the previously relevant risk-based indicators, i.e. credit risk, is no longer included in the guidance under IFRS 15, further supporting the conclusions reached.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer when a customer obtains control of the goods or services. For additional information about the group's accounting policy relating to revenue recognition, see note 1.12.

Transition to IFRS 15

Changes in accounting policies from the adoption of IFRS 15 have been applied retrospectively. However, the group has elected not to restate comparative information and instead include the cumulative effects of applying the standard at 1 March 2018. Accordingly, information relating to the year ended 28 February 2018 and prior periods does not reflect the requirements of IFRS 15 but rather those of IAS 18.

The group applied the following practical expedients when first applying IFRS 15:

1. The group has elected to apply IFRS 15 only to contracts that were not completed as at the date of initial application.
2. For contracts that were completed that had variable consideration, the transaction price at the date that the contract was completed was used, rather than estimating variable consideration amounts.
3. For contracts that were modified before the adoption date, the contracts were not restated for these contract modifications and instead, the aggregate effect of all modifications that occurred before the adoption date were considered in aggregate when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.
4. For all reporting periods presented before the date of initial application, the group elected not to disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when it expected to recognise that amount as revenue.
5. When, at contract inception, the period between the transfer of a promised good or service and payment for that good or service was one year or less, the group elected not to account for the effects of the time value of money.

In summary, the following adjustments were made to the amounts recognised in the statement of profit or loss and other comprehensive income:

Statement of profit or loss and other comprehensive income (extract) 2019	**Amounts that would have been recognised under IAS 18 for the year ended 28 February 2019**	**Effect of IFRS 15**	**Amounts recognised for the year ended 28 February 2019**
	£'000	**£'000**	**£'000**
Hardware	26,025	-	26,025
Software	488,765	(187,474)	301,291
Services	23,863	(1,521)	22,342
Total revenue	538,653	(188,995)	349,658
Cost of sales	(475,040)	188,995	(286,045)
	63,613	-	63,613

31(c) IFRS 16 'Leases'
This note explains the impact of the adoption of IFRS 16, 'Leases', on the group's financial statements.

As indicated in note 1.15, the group has adopted IFRS 16, 'Leases' retrospectively from 1 March 2019, but has not restated comparatives for the previous reporting periods, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing standard are therefore recognised in the opening balance sheet on 1 March 2019. The new accounting policies are disclosed in note 1.16. On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 4.75%.

(i) Practical expedients applied
In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 March 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at 1 March 2019; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has continued to account for leases relating to low-value assets as operating leases and included them in administrative expenses. The group uses judgement in determining what is a low-value lease, but in general these are leases that relate to assets with a value lower than £5,000.

The group has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(ii) Measurement of lease liabilities

	2019
	£'000
Operating lease commitments disclosed as at 28 February 2019	2,035
Discounted using the lessee's incremental borrowing rate of 4.75% at the date of initial application	1,700
(Less): short-term leases not recognised as a liability	(54)
(Less): leases of low-value assets not recognised as a liability	(24)
Lease liability recognised as at 1 March 2019	**1,622**
Of which are:	
Current lease liabilities	307
Non-current lease liabilities	1,315
	1,622

(iii) Measurement of right-of-use assets
The right-of-use assets were measured at the amount equal to the lease liability at 1 March 2019.

(iv)Adjustments recognised in the balance sheet on 1 March 2019

The change in accounting policy affected the following items in the balance sheet on 1 March 2019:

- Right-of-use assets – increase by £1,622k
- Lease liabilities – increase by £1,622k

32.Subsidiaries

The group's subsidiaries included in the Historical Financial Information are set out below. The country of incorporation is also their principal place of business.

Name of entity	Country of incorporation	Ownership interest	Principal activities
Bytes Software Services Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
Bytes Security Partnerships Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
Blenheim Group Limited	UK	100%	Holding company
Phoenix Software limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
License Dashboard Limited	UK	100%	Providing cloud-based licensing and infrastructure and security sales within both the corporate and public sector sectors
Bytes Technology Group Holdings Limited	UK	100%	Dormant for all periods
Bytes Technology Training Limited	UK	100%	Dormant for all periods
Elastabytes Limited	UK	50%	Dormant for all periods

The registered address of all of the group subsidiaries included above is Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW.

PART 12 - FINANCIAL INFORMATION OF THE COMPANY

SECTION A: ACCOUNTANT'S REPORT IN RESPECT OF THE FINANCIAL INFORMATION OF THE COMPANY

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Tel: +44 20 7951 2000
Fax: +44 20 7951 1345
ey.com

The Directors
Bytes Technology Group plc
Bytes House,
Randalls Way,
Leatherhead,
Surrey, KT22 7TW

1 December 2020

Dear Sirs

Bytes Technology Group plc (the "Company")

We report on the historical financial information of the Company set out in section B of Part 12 (the "Historical Financial Information") as at 7 October 2020. This historical financial information has been prepared for inclusion in the prospectus dated 1 December 2020 (the "Prospectus") of the Company on the basis of the accounting policies set out in note 2 of the Historical Financial Information.

This report is required by item 18.3.1 of Annex 1 to the Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

Responsibilities

The Directors of the Company are responsible for preparing the financial information table in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

Building a better
working world

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 1 December 2020, a true and fair view of the state of affairs of the Company as at the dates stated in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 to Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129.

Yours faithfully

Ernst & Young LLP

Ernst & Young LLP

SECTION B : FINANCIAL INFORMATION OF THE COMPANY

Bytes Technology Group plc (CRN: 12935776)

Balance Sheet (£)	**As at 7 October 2020**
Assets	
Non-current assets	0
Current assets	
Cash and cash equivalents	0.02
Total assets	0.02
Non-current liabilities	0
Current liabilities	0
Total net assets	0.02
Equity	
Issued share capital	0.02
Total equity	0.02

Notes to the financial information

1. *Corporate information*

Bytes Technology Group plc (formerly Bytes Technology Holdings plc) (the "Company") was incorporated on 7 October 2020 as a public limited company under the laws of England and Wales with a share capital of £0.02. On 14 October 2020 the shareholding was transferred to Neil Murphy and Keith Richardson.

The registered office of the Company is Bytes House, Randalls Way, Leatherhead, KT22 7TW and the company number of the Company is 12935776.

2. *Basis of preparation*

The balance sheet of the Company has been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and in accordance with applicable accounting standards. The balance sheet has been prepared on a historical cost basis and is presented in Great British Pounds. The Company has no historical operations.

3. *Going concern*

At the balance sheet date, the Company has net assets and holds no liabilities. Accordingly, the Directors are satisfied that the going concern basis remains appropriate for the preparation of the balance sheet.

4. *Subsequent events*

Subsequent to the date of incorporation the Company allotted 50,000 preference shares and resolved to change the name of the Company from "Bytes Technology Holdings plc" to "Bytes Technology Group plc.

PART 13 - PRO FORMA FINANCIAL INFORMATION

SECTION A: ACCOUNTANT'S REPORT IN RESPECT OF THE PRO FORMA FINANCIAL INFORMATION

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Tel: +44 20 7951 2000
Fax: +44 20 7951 1345
ey.com

The Directors
Bytes Technology Group plc
Bytes House,
Randalls Way,
Leatherhead,
Surrey, KT22 7TW

1 December 2020

Dear Sirs

Bytes Technology Group plc (the "Company")

We report on the pro forma financial information (the "Bytes Pro Forma Financial Information") set out in Section B of Part 13 of the Prospectus dated 1 December 2020 (the "Prospectus"), which has been prepared on the basis described in the notes to the Bytes Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Demerger and the Dividend might have affected the financial information presented on the basis of the accounting policies to be adopted by the Company in its next financial statements, being those adopted in preparing the historical financial information of Bytes Technology Limited.

This report is required by Section 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980 and is given for the purpose of complying with that section and for no other purpose.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to Commission Delegated Regulation (EU) 2019/980, consenting to its inclusion in the Prospectus.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Bytes Pro Forma Financial Information in accordance with Sections 1 and 2 of Annex 20 of Commission Delegated Regulation (EU) 2019/980.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the Commission Delegated Regulation (EU) 2019/980, as to the proper compilation of the Bytes Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Bytes Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Bytes Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Bytes Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Bytes Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R (2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 to Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129.

Yours faithfully

Ernst & Young LLP

Ernst & Young LLP

SECTION B: PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position or results of operations of the Company. It has been prepared to show the effect of the Demerger and the Dividend on (a) the balance sheet of the Company as if the Demerger and the Dividend had been implemented on 31 August 2020 and (b) the statement of profit or loss, earnings per share and headline earnings per share for the year ended 29 February 2020 and the six months ended 31 August 2020 as if the Demerger and the Dividend had been implemented on 1 March 2019 and 1 March 2020, respectively.

The unaudited pro forma financial information has been prepared in accordance with section 1 and 2 of Annex 20 of the Commission Delegated Regulation (EU) 2019/980 and in accordance with the Company's accounting policies that will be adopted by the Company in its next financial statements, which are consistent with those accounting policies adopted in preparing the audited historical financial information of Bytes UK.

The unaudited pro forma financial information of the Company is the responsibility of the Company's Board.

PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 29 FEBRUARY 2020

£'000	Bytes UK for the year ended 29 February 2020 (1,3)	Proceeds from share issue net of transaction costs (5,6)	Unaudited pro forma of the Company 29 February 2020 (7)
Revenue	373,103	-	373,103
Cost of sales	(293,886)	-	(293,886)
Gross profit	**79,217**	**-**	**79,217**
Administrative expenses	(49,373)	(8,274)	(57,647)
Operating profit	**29,844**	**(8,274)**	**21,570**
Finance income	158	-	158
Finance costs	(82)	-	(82)
Profit before taxation	**29,920**	**(8,274)**	**21,646**
Income tax expense	(5,762)	-	(5,762)
Profit for the year	**24,158**	**(8,274)**	**15,884**
Profit attributable to owners of the company	24,158	**(8,274)**	**15,884**
Reconciliation of headline earnings			
Profit attributable to owners of the company	24,158	(8,274)	15,884
Adjusted for loss on disposal of property, plant and equipment	10	-	10
Headline earnings	**24,168**	**(8,274)**	**15,894**
Basic earnings per Ordinary Share (pence)	241,580.00		6.65
Diluted earnings per Ordinary Share (pence)	217,424.17		6.61
Headline earnings per share (pence)	241,680.00		6.65
Diluted headline earnings per share (pence)	217,514.18		6.61
Number of shares in issue	10,000		238,913,494
Weighted average number of shares in issue	10,000		238,913,494
Diluted number of shares in issue	11,111		240,422,928
Diluted weighted average number of shares in issue	11,111		240,422,928

PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

£'000	Bytes UK for the six months ended 31 August 2020 (1,3)	Proceeds from share issue net of transaction costs (5,6)	Unaudited pro forma of the Company 31 August 2020 (7)
Revenue	221,222	-	221,222
Cost of sales	(174,843)	-	(174,843)
Gross profiit	**46,379**	**-**	**46,379**
Administrative expenses	(26,849)	(8,274)	(35,123)
Operating profit	**19,530**	**(8,274)**	**11,256**
Finance income	24	-	24
Finance costs	(40)	-	(40)
Profit before taxation	**19,514**	**(8,274)**	**11,240**
Income tax expense	(3,757)	-	(3,757)
Profit for the year	**15,757**	**(8,274)**	**7,483**
Profit attributable to owners of the company	**15,757**	**(8,274)**	**7,483**
Reconciliation of headline earnings			
Profit attributable to owners of the company	15,757	(8,274)	7,483
Adjusted for loss on disposal of property, plant and equipment	18	-	18
Headline earnings	**15,775**	**(8,274)**	**7,501**
Basic earnings per Ordinary Share (pence)	157,570.00		3.13
Diluted earnings per Ordinary Share (pence)	141,814.42		3.11
Headline earnings per share (pence)	157,750.00		3.14
Diluted headline earnings per share (pence)	141,976.42		3.12
Number of shares in issue	10,000		238,913,494
Weighted average number of shares in issue	10,000		238,913,494
Diluted number of shares in issue	11,111		240,422,928
Diluted weighted average number of shares	11,111		240,422,928

PRO FORMA CONSOLIDATED BALANCE SHEET AT 31 AUGUST 2020

£'000	Incorporation Accounts 31 August 2020 (1)	Issue of preference shares (2)	Bytes UK at 31 August 2020 (3)	Payment of the Dividend (4)	Purchase of Bytes UK and redemption of preference shares (5)	Proceeds from share issue net of transaction costs (6)	Unaudited pro forma of the Company 31 August 2020 (7)
Assets							
Non-current assets	**-**	**-**	**55,329**	**-**	**-**	**-**	**55,329**
Property, plant and equipment	-	-	8,420	-	-	-	8,420
Right-of-use assets	-	-	1,202	-	-	-	1,202
Intangible assets	-	-	45,248	-	-	-	45,248
Contract assets	-	-	459	-	-	-	459
Current assets	**-**	**50**	**139,951**	**(30,000)**	**(50)**	**-**	**109,951**
Inventories	-	-	746	-	-	-	746
Contract assets	-	-	8,009	-	-	-	8,009
Trade and other receivables	-	50	99,268	-	(50)	-	99,268
Cash and cash equivalents	*	-	31,928	(30,000)	-	-	1,928
Total assets	*****	**50**	**195,280**	**(30,000)**	**(50)**	**-**	**165,280**
Liabilities							
Non-current liabilities	**-**	**-**	**(4,481)**	-	**-**	**-**	**(4,481)**
Lease liabilities	-	-	(1,252)	-	-	-	(1,252)
Contract liabilities	-	-	(1,475)	-	-	-	(1,475)
Deferred tax liabilities	-	-	(1,754)	-	-	-	(1,754)
Current liabilities	**-**	**-**	**(140,706)**	**-**	**(14,300)**	**-**	**(155,006)**
Trade and other payables	-	-	(130,619)	-	-	-	(130,619)
Contract liabilities	-	-	(9,186)	-	-	-	(9,186)
Current loan	-	-	-	-	(14,300)	-	(14,300)
Current tax liabilities	-	-	(645)	-	-	-	(645)
Lease liabilities	-	-	(256)	-	-	-	(256)
Total liabilities	-	-	**(145,187)**	-	**(14,300)**	-	**(159,487)**
Net assets	*****	**50**	**50,093**	**(30,000)**	**(14,300)**	**-**	**5,793**
Equity							
Issued share capital	*	-	*	-	2,325	64	2,389
Preference share capital	-	50	-	-	(50)	-	-
Share premium	*	-	*	-	613,674	8,210	621,884
Other reserves	-	-	1,324	-	-	-	1,324
Merger reserve	-	-	-	-	(630,298)	-	(630,298)
Retained earnings	-	-	48,769	(30,000)	-	(8,274)	10,495
Total equity	*****	**50**	**50,093**	**(30,000)**	**(14,350)**	**-**	**5,793**

* less than £1,000

Notes and assumptions

(1) The pro forma financial information has been prepared in accordance with the Company's accounting policies to be adopted in its next financial statements, which are consistent with those accounting policies adopted in preparing the historical information of Bytes UK. The financial information for the Company has been extracted, without material adjustment, from the incorporation accounts of the Company and reflects the £0.02 issue of share capital at incorporation. The audited historical financial information of the Company can be found in Part 12 "Financial Information of the Company". For the purposes of the pro forma financial information it has been assumed that the Company was incorporated on 31 August 2020.

(2) Subsequent to incorporation the Company's initial shareholders subscribed for 50,000 redeemable voting preference shares of £1 each to satisfy the minimum share capital requirements for UK public companies as described in paragraph 2 of Part 15 "Additional Information". A pro forma adjustment has been recorded to reflect the £50,000 preference share capital and related receivable. These preference shares are to be redeemed on Admission through the issuance of New Shares.

(3) In order to give effect to the Demerger, Altron, Bytes SA, Bytes UK Management, the Company and Bytes Technology Holdco entered into the Demerger SPA on 2 November 2020. Pursuant to the Demerger SPA, on Admission Bytes UK will become a subsidiary of the Company. The details of the Demerger are set out more fully in Part 5 "Details of the Demerger". To illustrate the effect of the acquisition of Bytes UK by the Company a pro forma adjustment has been recorded to reflect the consolidation of Bytes UK as at and for the relevant period, using the relevant financial information extracted from the audited historical information contained in Part 11 "Financial Information of Bytes UK". As the Company was only incorporated on 7 October 2020, the Company did not incur any revenue or expenses in the year ended 29 February 2020 or the six months ended 31 August 2020. Consequently, there is not a statement of profit or loss for the Company reflected in the pro forma financial information.

(4) An adjustment has been recorded in the pro forma balance sheet to reflect the Dividend.

(5) As more fully set out in Part 5 "Details of the Demerger", Altron, Bytes SA, Bytes UK Management, the Company and Bytes Technology Holdco have entered into the Demerger SPA for (i) Altron, through Bytes SA, to dispose of its A ordinary shares in Bytes UK to Bytes Technology Holdco and (ii) Bytes UK Management to sell their B ordinary shares in Bytes UK to the Company. The Company will settle the purchase consideration for the ordinary shares in Bytes UK through (i) the issue of Convertible Notes to Bytes SA, (ii) the payment to Bytes UK Management of £14.3 million, and (iii) the issue of Bytes UK Management Consideration Shares equal to 5 per cent. of the issued share capital of the Company at Admission (as enlarged by the issue of such shares).
The Company entered into the Convertible Notes Instrument and issued a single Certificate in respect of all the Convertible Notes to Bytes SA on 3 November 2020. Redemption or conversion of the Convertible Notes is conditional on fulfilment of the Suspensive Conditions and the Convertible Notes will lapse and be cancelled for no value if the Suspensive Conditions are not fulfilled or waived by the Long Stop Date. On Admission, the Company will have, through Bytes Technology Holdco, acquired the A ordinary shares in Bytes UK from Bytes SA and the B ordinary shares in Bytes UK from Bytes UK Management and the Convertible Notes will have been redeemed for cash or converted into New Shares. The total value of the consideration for the disposal of Bytes UK at the Offer Price, based on the assumptions set out below, is £630.3 million. This is comprised of:

- £306.5 million being the number of Converted Shares issued multiplied by the Offer Price assuming the Base Offer Assumptions;
- £277.8 million being the number of Convertible Notes redeemed for cash multiplied by the Offer Price;
- £31.7 million being the number of Bytes UK Management Consideration Shares issued multiplied by the Offer Price; plus
- the amount of £14.3 million paid as cash consideration to holders of B ordinary shares.

For the purposes of this pro forma financial information, the Offer Price is assumed to be 265p, with 232.4 million Shares issued in aggregate to redeem or convert the Convertible Notes, settle the purchase consideration other than the £14.3 million to be paid to holders of B ordinary shares. Pro forma adjustments have been made to reflect this issuance of Shares resulting in increases in share capital of £2.3 million and, share premium of £613.7 million and a debit to merger reserve of £630.3 million. Immediately following Admission, the Company intends (to the extent that it does not have available cash on hand) to borrow £14.3 million under the HSBC Facility Agreement to settle the £14.3 million to be paid as cash consideration to holders of B ordinary shares. Accordingly, a £14.3 million pro forma adjustment has been recorded to current loans to reflect this borrowing.

On Admission, the Company will have redeemed the preference shares issued to the Company's initial shareholders. Consequently, a pro forma adjustment has been recorded to reflect the redemption of the preference shares and elimination of the related receivable of £50,000.

Other than in relation to the £14.3 million cash consideration described above, the impact of the transactions described within this note 5 is cash neutral. The impact of these transactions on the investments line of the consolidated balance sheet is extinguished on consolidation.

(6) An assumption has been made that on Admission the Company will issue 6.5 million Shares of £0.01 each at the Offer Price in order to fund the payment of the IPO Expenses and Demerger Stamp Duty. Consequently, pro forma adjustments have been recorded to show the £17.1 million cash proceeds to the Company from the issuance of equity, £64,000 of issued share capital and the related £17.1 million share premium. The IPO Expenses and Demerger Stamp Duty are expected to amount to £17.1 million, based on the assumptions made. These costs are not expected to be continuing. A pro forma adjustment has been made to reflect the cash outflow for these costs offsetting the cash proceeds to the Company. £8.8 million relates to direct share issue expenses and has been assumed therefore to be capital in nature and a pro forma adjustment is shown to offset this against share premium. The remaining £8.3 million is an estimate of the Demerger Stamp Duty and IPO Expenses. A pro forma adjustment has been recorded to reflect this amount in administrative expenses in the pro forma statement of profit and loss and in retained earnings in the pro forma balance sheet.

(7) Except for the adjustment described in note 3 above, which reflects the historical financial information of Bytes UK, all other transactions above are in relation to Admission and are one off in nature. No adjustment has been made to reflect the results of the Company or Bytes UK since 31 August 2020.

PART 14 - THE OFFER

1 **The Offer**

The Offer comprises an offer of New Shares by the Company to certain institutional investors in the United Kingdom, South Africa and elsewhere outside the United States in accordance with Regulation S and in the United States to QIBs pursuant to Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

In South Africa, the Offer will only be made by way of private placement to (a) selected persons falling within one of the specified categories listed in section 96(1)(a) of the South African Companies Act, and (b) selected persons, acting as principal, acquiring the New Shares for a total acquisition cost of not less than ZAR1,000,000.00, as contemplated in section 96(1)(b) of the South African Companies Act, in each case to whom the Offer will specifically be addressed, and only by whom the Offer will be capable of acceptance.

The New Share Offer Size Range is between 59,064,035 and 230,756,765 New Shares. However, the number of New Shares to be issued may fall outside the New Share Offer Size Range (subject to the minimum free float requirements of the FCA). The actual number of New Shares to be issued by the Company in the Offer will depend on, among other things, the Offer Price and the level of demand for New Shares from investors and will only be determined at the time the Offer Price is determined and could be higher or lower than these numbers. The final number of New Shares to be sold in the Offer will be set out in the Pricing Statement which is expected to be published on 11 December 2020. See paragraph 2 "The Offer Price and size of the Offer" below for the steps the Company will take should the New Share Offer Size be set above or below the New Share Offer Size Range.

Immediately following Admission, it is expected that in excess of 67 per cent. of the Shares will be held in public hands (within the meaning of paragraphs 6.14.1 to 6.14.3 of the Listing Rules), assuming the Base Offer Size Assumptions and the Offer Price is set at the mid-point of the Price Range.

When admitted to trading on the London Stock Exchange, the Shares will be registered with ISIN number GB00BMH18Q19 and SEDOL (Stock Exchange Daily Official List) number BMH18Q1 and trade under the symbol "BYIT". The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes.

The JSE has granted a secondary inward listing of the Shares in the Software and Computer Services sector of the JSE List under the abbreviated name "Bytes", symbol "BYI" and ISIN GB00BMH18Q19 subject to the fulfilment of certain conditions (including, in accordance with paragraph 18.10(b) of the JSE Listings Requirements, the Company having made arrangements, to the satisfaction of the JSE's Clearing and Settlement division, to ensure that there are a sufficient number of Shares entered into the South African register from the time of JSE Admission).

Certain restrictions that apply to the distribution of this Prospectus and Shares in jurisdictions outside the United Kingdom are described in "Selling Restrictions" below.

2 **The Offer Price and size of the Offer**

This section should be read in conjunction with Part 4 "Expected Timetable of Principal Events".

All Shares issued pursuant to the Offer will be issued at the Offer Price and no commissions or expenses will be charged to investors by the Company or Numis.

The Offer Price and the final number of New Shares to be issued pursuant to the Offer will be agreed by the Company, in consultation with Numis and Altron and are expected to be announced on 11 December 2020.

The Pricing Statement, which will contain the Offer Price and the New Share Offer Size will be published in printed form and available free of charge at the registered office of the Company at Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW, England. In addition, the Pricing Statement will be published in electronic form and available (subject to certain restrictions) on the Company's website at www.bytesplc.com. The Company and Numis reserve the right to increase or decrease the aggregate number of New Shares issued under the Offer.

It is currently expected that the Offer Price will be in the price range of 240.0 pence to 290.0 pence per New Share but the Offer Price may be set within, above or below that Price Range. It is currently expected that the New Share Offer Size will be set within the New Share Offer Size Range. However, the New Share

Offer Size may be set within, above or below the New Share Offer Size Range. If the Offer Price is set outside the Price Range, then the Company would make an announcement via a Regulatory Information Service and prospective investors would have a statutory right to withdraw their application for Shares pursuant to Article 17 of the Prospectus Regulation.

If the Offer Price is outside the Price Range, arrangements for withdrawing offers to subscribe for Shares will be made clear in the announcement. Full details of statutory rights to withdraw an offer to purchase New Shares pursuant to Article 17 of the Prospectus Regulation are set out below in paragraph 12 "Withdrawal Rights" of this Part 14 "The Offer".

The number of New Shares to be issued by the Company pursuant to the Offer will be determined by reference to and is a function of, among other things, the Offer Price for the New Shares, the elections to redeem Convertible Notes received from Altron Ordinary Shareholders in connection with the Demerger and demand from investors in the Offer.

The following tables set out the expected number of New Shares to be issued by the Company pursuant to the Offer, the expected gross proceeds of the Offer for the Company, the expected issued share capital of the Company on Admission and the number of New Shares to be issued as a percentage of the expected issued share capital of the Company on Admission, assuming the Offer Price is set at (i) the bottom of the Price Range, (ii) the mid-point of the Price Range and (iii) the top of the Price Range, and in circumstances where, in aggregate, (i) 25 per cent., (ii) 50 per cent., (iii) 75 per cent. or (iv) 100 per cent., of the Convertible Notes held by Altron Ordinary Shareholders (other than Altron Finance) are redeemed for cash.

Offer Price at the bottom of the Price Range

Redemption	New Shares	Gross proceeds	Issued share capital on Admission	New Shares as a percentage of issued share capital on Admission
25%	87,920,476	£211.0 million	238,390,054	36.9%
50%	135,532,571	£325.3 million	239,893,989	56.5%
75%	183,144,672	£439.5 million	241,397,925	75.9%
100%	230,756,765	£553.8 million	242,90,860	95.0%

Offer Price at the mid-point of the Price Range

Redemption	New Shares	Gross proceeds	Issued share capital on Admission	New Shares as a percentage of issued share capital on Admission
25%	87,709,924	£232.4 million	238,168,420	36.8%
50%	135,322,019	£358.6 million	239,672,356	56.5%
75%	182,934,120	£484.8 million	241,176,292	75.9%
100%	230,546,214	£610.9 million	242,680,227	95.0%

Offer Price at the top of the Price Range

Redemption	New Shares	Gross proceeds	Issued share capital on Admission	New Shares as a percentage of issued share capital on Admission
25%	87,535,674	£253.9 million	237,984,999	36.8%
50%	135,147,769	£391.9 million	239,488,935	56.4%
75%	182,759,870	£530.0 million	240,992,871	75.8%
100%	230,371,963	£668.1 million	242,496,805	95.0

The Company has received written indications from certain major Altron Shareholders, comprising

Coronation, Biltron and VCP, that they intend to elect to redeem for cash a minimum of 25 per cent., 25 per cent. and 80 per cent., and a maximum of 25 per cent., 35 per cent. and 100 per cent., respectively, of their respective Convertible Notes arising from the Demerger in respect of their current shareholdings in Altron. Assuming the Base Offer Size Assumptions and the Offer Price is set at the mid-point of the Price Range, the expected minimum number of New Shares in the Offer is 111,297,716 and the the gross proceeds of the Offer are expected to be £294.9 million, resulting in the number of New Shares in the Offer as a percentage of the Company's expected issued share capital at Admission being 46.6 per cent.

Assuming the Maximum Offer Size Assumptions and the Offer Price is set at the mid-point of the Price Range, the expected maximum number of New Shares in the Offer is 171,842,458 and the gross proceeds of the Offer are expected to be £455.4 million, resulting in the number of New Shares in the Offer as a percentage of the Company's expected issued share capital at Admission being 71.4 per cent.

Among the factors which may be considered in determining the Offer Price and the final number of New Shares to be issued pursuant to the Offer are the prevailing market conditions, the level and nature of demand for the New Shares offered, the prices bid to acquire the New Shares under the Offer and the objective of encouraging the development of an orderly and liquid after-market in the Shares. Accordingly, the Offer Price will not necessarily be the highest price at which all of the Shares subject to the Offer could be issued or sold.

Numis will solicit bids from prospective institutional investors to acquire New Shares. Prospective investors will be required to specify the number of New Shares which they would be prepared to acquire either at prices specified by them or at the Offer Price as eventually determined.

In the event that demand for New Shares exceeds the number of New Shares made available in the Offer, allocations may be scaled down in any manner at the Company's and Numis' discretion, and applicants may be allocated New Shares having an aggregate value which is less than the sum applied for. The Company and Numis may allocate such New Shares as they see fit (and there is no obligation to allocate such New Shares proportionately and applicants may receive no New Shares).

The Company and Numis are not bound to proceed with the Offer. Completion of the Offer will be subject, *inter alia*, to the determination of the Offer Price and each of the Company's and Numis' decisions to proceed with the Offer. It will also be subject to the satisfaction of conditions contained in the Underwriting Agreement including Admission occurring by not later than 8:00 a.m. (London time) and 10:00 a.m. (Johannesburg time) on 17 December 2020 or such later time and/or date as the Company and Numis may agree and to the Underwriting Agreement not having been terminated in accordance with its terms. Further details of the terms of the Underwriting Agreement are set out in paragraph 7 "Underwriting Agreement" of Part 15 "Additional Information". The Offer cannot be terminated once unconditional dealings in the Shares have commenced.

3 Application procedure

The New Shares will be offered to (i) certain institutional investors in the United Kingdom, South Africa and elsewhere outside the United States in "offshore transactions" as defined in, and in reliance on Regulation S and (ii) in the United States, only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Certain restrictions that apply to the distribution of this Prospectus and the offer and sale of the New Shares in jurisdictions outside the United Kingdom are described in paragraph 16 "Selling restrictions" below.

The latest time and date for receipt of indications of interest in subscribing for New Shares under the Offer are set out in Part 4 "Expected timetable of principal events and offer statistics" but that time may be extended at the discretion of Numis and the Company.

Participants in the Offer will be advised verbally or by electronic mail or otherwise of their allocation as soon as practicable following pricing and allocation. Prospective investors in the Offer will be contractually committed to acquire the number of New Shares allocated to them at the Offer Price, and to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.

4 Payment for Shares

Each investor agrees to pay the Offer Price for the New Shares issued to or acquired by such investor in such manner as shall be directed by Numis.

In the event of any failure by any investor to pay as so directed by Numis, the relevant investor will be deemed thereby to have appointed Numis or any nominee of Numis to sell (in one or more transactions) any or all of the New Shares in respect of which payment has not been made as directed by Numis and such investor shall indemnify Numis and/or any relevant nominee of Numis in respect of any liability for stamp duty and/or SDRT arising in respect of any such sale or sales and/or any other loss suffered in connection with such failure.

If Admission does not occur, monies will be returned without interest at the risk of the applicant.

Liability for UK stamp duty and SDRT is described in Part 15 "Additional Information" .

5 Use of proceeds

The net proceeds payable to the Company from the Offer are expected to be approximately £277.8 million (assuming the Offer Price is set at the mid-point of the Price Range and the Base Offer Size Assumptions, and after deducting Demerger Stamp Duty and IPO Expenses).

The Company intends to use the net proceeds it receives from the Offer (after deduction of Demerger Stamp Duty and IPO Expenses) to satisfy the cash amounts due to Altron and Altron Ordinary Shareholders in connection with the Demerger.

No net proceeds will be retained by the Company.

6 Reasons for the Offer

The Directors believe that the Offer will (i) support the development of an active and liquid market in the Shares on the LSE and the JSE and (ii) broaden the investor base of the Company by allowing new investors to participate in the listing of the Company, as well as generating proceeds for Altron and Altron Shareholders.

7 Allocation

Allocations under the Offer will be agreed between the Company and Numis.

All New Shares issued pursuant to the Offer will be issued, payable in full, at the Offer Price.

Prospective investors in the Offer will be advised verbally or by electronic mail or otherwise by Numis and the Company of their allocation as soon as practicable following pricing and allocation. Upon notification of any allocation, prospective investors in the Offer will be committed to subscribe for the number of New Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing may not begin before notification is made.

8 Dealing arrangements, settlement and Admission

The Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and Numis. Further details of the Underwriting Agreement are described in paragraph 9 of Part 15 "Additional Information – Underwriting Agreement".

Application has been made to the FCA for all of the Shares to be admitted to the premium listing segment of the Official List. Application has also been made to the London Stock Exchange for the Shares to be admitted to trading on its main market for listed securities.

It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 17 December 2020. Settlement of dealings from that date will be on a two-day rolling basis. Prior to Admission, conditional dealings in the Shares are expected to commence on the London Stock Exchange on at 8.00 a.m. (London time) on 11 December 2020. Dealings on the London Stock Exchange's Main Market before Admission will only be settled if Admission takes place. Settlement in connection with the Offer will be on a four-trading day basis (T+4) rather than the usual three-trading day (T+3) basis. As a result, investors trading on the first day of unconditional dealings will need to make alternative settlement arrangements with their counterparties. The earliest date for such settlement of such dealings will be 17 December 2020. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.**

It is expected that New Shares allocated to investors in the Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued.

Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

9 JSE Admission and dealings in South Africa

Application has been made to the JSE for admission of the Shares to the Main Board of the JSE and it is expected that JSE Admission will become effective and that unconditional dealings in the Shares will commence on the JSE at 10.00 a.m. (Johannesburg time) on 17 December 2020. The Shares issued and traded on the JSE will be denominated in pounds sterling and traded in Rand. The Shares will be fully transferable between the Company's UK share register and the South African branch register, subject to investors obtaining necessary exchange control approvals where necessary.

The Shares to be issued in South Africa will be issued in dematerialised form only. Shares may only be traded on the exchange operated by the JSE in electronic form as dematerialised shares and will trade for electronic settlement in terms of the Strate system immediately following JSE Admission.

The Shares are not listed or traded on, and no application has been or is being made for the admission of the Shares to listing or trading on, any other stock exchange or securities market.

10 CREST

With effect from Admission, the Articles will permit the holding of Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. Settlement of transactions in the Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so.

11 Strate and trading of Shares on the JSE

Shares may be traded on the JSE only in electronic form (as dematerialised shares) and will trade for electronic settlement in terms of Strate immediately following JSE Admission.

Strate, like CREST, is a system of "paperless" transfer of securities. If you have any doubt as to the mechanics of Strate, please consult your broker, CSDP or other appropriate adviser and you are referred to the Strate website for more detailed information.

Some of the principal features of Strate are:

(a) electronic records of ownership replace certificates and physical delivery of certificates;

(b) trades executed on the JSE must be settled within three business days;

(c) all investors owning dematerialised shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements; and

(d) unless investors owning dematerialised shares specifically request their CSDP to register them as an "own-name" dematerialised shareholder (which entails a fee), their respective CSDPs or broker's nominee company holding ordinary shares on their behalf, will be the holder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP's or broker's nominee company), generally in terms of the rules of Strate, the investor is entitled to instruct the CSDP or broker (or the CSDP's or broker's nominee company), as to how it wishes to exercise the rights attaching to the ordinary shares and/or to attend and vote at shareholder meetings.

South African Exchange Control

Exchange controls are imposed on South African residents in terms of the Exchange Control Regulations. FinSurv is responsible for the day-to day administration of the exchange controls. FinSurv has a wide discretion which discretion is, however, not exercised arbitrarily but is based upon a set of norms, and is subject to the policy guidelines laid down by the Minister of Finance, Director General Finance, and the SARB. From time to time, FinSurv issues "rulings" and circulars to provide further guidelines regarding the implementation of exchange controls. The Exchange Control Regulations, Currencies and Exchanges Manual for Authorised Dealers ("**Authorised Dealer Manual**") and circulars are collectively referred to as "Excon Rules" for purpose of this Prospectus.

Certain South African banks have been appointed to act as Authorised dealers (as defined by the Excon Rules) ("**Authorised Dealers**") in foreign exchange. Authorised Dealers may buy and sell foreign exchange, subject to conditions and within limits prescribed by FinSurv.

The Authorised Dealers are also required to assist FinSurv in administering the Excon Rules. All applications to the FinSurv are required to be made through an Authorised Dealer. The Authorised Dealer Manual, issued by FinSurv, set out the conditions, permissions and limits applicable to the transaction in foreign exchange which may be undertaken by Authorised Dealers, as well as details of related administrative responsibilities.

South Africa's Excon Rules provide for restrictions on exporting capital from the Common Monetary Area. Transactions between residents of the Common Monetary Area, on the one hand, including corporations, and persons whose normal place of residence, domicile or registration is outside of the Common Monetary Area ("**Non-residents**"), on the other hand, are subject to these Exchange Control Regulations. Currency and shares are not freely transferable from South Africa to any jurisdiction outside the geographical borders of South Africa or jurisdictions outside of the Common Monetary Area. These transfers must comply with the Excon Rules as described below.

FinSurv has approved the secondary inward listing of the Shares on the Main Board of the JSE, and classified the inward listed Shares as "domestic" for exchange control purposes.

In line with the approval obtained from the FinSurv, the Shares listed on the JSE will only be allotted and issued to the applicants on listing date of the Shares on the JSE. The purchase of Shares listed on the JSE and the trade in Shares listed on the JSE may only be done in terms of the Excon Rules.

In terms of the approval by FinSurv of the secondary inward listing of the Shares on the Main Board of the JSE, all dividends and any other distributions declared and paid by the Company to South African Shareholders are required to be remitted by the Company to a specially designated account in South Africa and paid to South African Shareholders in Rand, at the then prevailing exchange rate. Any requests to issue the Shares or other securities to South African Shareholders in lieu of a cash dividend will be subject to the prior approval of FinSurv, and if such prior approval is not obtained by the Company, South African Shareholders may not be entitled to participate in any such issue of the Shares or other securities.

Set out below is a summary of the Excon Rules relating to the purchase of Shares listed on the JSE and the trade in Shares listed on the JSE in South Africa.

This summary of the Excon Rules is intended as a guide only and is therefore not comprehensive. If you are in any doubt you should consult an appropriate professional advisor immediately.

South African private individuals

South African resident investors may trade in the Shares listed on the JSE without having recourse to their foreign portfolio allowances. A South African private individual need not take any additional administrative actions and can instruct its broker to accept, buy and sell Shares listed on the JSE on its behalf as it would with any other listed security on the JSE. Shares listed on the JSE are on the South African branch share register and are pound sterling-denominated but traded in Rand.

South African institutional investors

All inward listed shares on the JSE traded and settled in Rand are classified as domestic for the purposes of exchange control. Accordingly, South African retirement funds, long-term insurers, collective investment scheme management companies and asset managers who have registered FinSurv as institutional investors for exchange control purposes and Authorised Dealers approved as such by the South African Reserve Bank may now invest in such shares without affecting their permissible foreign portfolio investment allowances or foreign exposure limits.

South African institutional investors may therefore purchase Shares listed on the JSE without affecting their foreign portfolio investment allowances or foreign exposure limits.

Member Brokers of the JSE

The Excon Rules provide for a special dispensation to local brokers to facilitate the trading in inward listed shares. South African brokers are now allowed, as a book-building exercise, to purchase Shares offshore and to transfer the Shares to the South African branch share register. This special dispensation is confined to inward listed shares and brokers may warehouse such shares for a maximum period of thirty days only.

South African Corporate Entities, Banks, Trusts and Partnerships

South African corporate entities, banks, trusts and partnerships may purchase Shares listed on the JSE without restriction.

Non-Residents of the Common Monetary Area

Non-residents of the Common Monetary Area may purchase Shares listed on the JSE, provided that payment is received in foreign currency or Rand from a non-resident account.

All payments in respect of purchase of Shares listed on the JSE by non-residents must be made through an Authorised Dealer. Such non-residents should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an application to be made in response to the Offer.

Share certificates issued in respect of Shares listed on the JSE purchased by non-residents will be endorsed "Non-resident" in accordance with the Excon Rules. Holders of dematerialised shares will have their statements endorsed “Non-resident” and their accounts at their CSDP or broker annotated accordingly.

Provided that the relevant share certificate is endorsed "Non-resident" or the relevant account of the Shareholder's CSDP or broker is annotated accordingly, there is no restriction under the Excon Rules on the payment to a non-resident Shareholder of cash dividends from the distributable profits of the Group in proportion to the Shareholder’s percentage holding of Shares. Payment to non-resident Shareholders of other dividends and distributions (including special dividends, dividends in specie and capitalisation issues) require the consent of FinSurv.

Cash dividends and any proceeds from the sale of Shares listed on the JSE by non-resident Shareholders may be freely transferred out of South Africa, subject to being converted into a currency other than Rand or paid for the credit of a non-resident Rand account.

Non-residents may sell Shares listed on the JSE on the market and repatriate the proceeds without restriction.

Former residents of the Common Monetary Area who have emigrated may use emigrant blocked funds to purchase Shares listed on the JSE on the market. The Shares listed on the JSE will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios. The sale proceeds derived from the sale of the Shares listed on the JSE will be transferred to the Authorised Dealer in foreign exchange controlling the emigrants’ blocked assets for credit to the emigrants' blocked account.

Movement of Shares between Registers

Shares are fully fungible and may be transferred between registers, subject to investors obtaining necessary exchange control approvals where necessary. South African resident investors may only acquire Shares, via the JSE, that are already on the South African branch register maintained by Computershare Investor Services Proprietary Ltd, the Company’s transfer secretaries (the "**South African Transfer Secretaries**"). Member brokers of the JSE may acquire ordinary shares on foreign exchanges and transfer ordinary shares to the South African branch share register as described above. Non-residents are not subject to Exchange Control Regulations and may freely transfer ordinary shares between branch registers.

12 **Underwriting Agreement**

The Company, Altron, Bytes SA, the Directors and Numis have entered into the Underwriting Agreement pursuant to which Numis has agreed, subject to (a) the Company and Numis executing and delivering the Pricing Statement; (b) Admission occurring by not later than 8.00 a.m. (London time) and 10.00 a.m. (Johannesburg time) on 17 December 2020 or such later date as the Company and Numis may agree in writing (being no later than the Long Stop Date); (c) there having occurred no material adverse change in relation to the Group; and (d) certain other customary conditions, to procure purchasers for the New Shares to be issued by the Company or, failing which, themselves to subscribe for such New Shares, at the Offer Price.

The Underwriting Agreement contains provisions entitling Numis to terminate the Offer (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Offer will lapse. Upon execution of the Pricing Statement (subject to the satisfaction of the conditions described above) the Offer will be underwritten by Numis. The Underwriting Agreement provides for Numis to be paid commissions in respect of the New Shares issued. Any commissions received by Numis may be retained, and any Shares acquired by Numis may be retained or dealt in, by Numis, for its own benefit.

Further details of the terms of the Underwriting Agreement are set out in paragraph 9 "Underwriting Agreement" of Part 15 "Additional Information". Certain selling and transfer restrictions are set out below.

13 Lock-up arrangements

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of Numis (such consent not to be unreasonably withheld or delayed), issue, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce an offer of any Shares in the Company (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement and the Lock-up Agreement, except pursuant to certain customary exceptions, the Directors and Senior Management have agreed to refrain from selling any of their Shares for a period commencing on the date of the Underwriting Agreement and ending 365 days after the date of Admission without the consent of Numis.

Pursuant to the Major Shareholder Lock-up Agreements, each of Biltron and VCP have agreed that, subject to certain exceptions, during the period of six months from the date of Admission, they will not, without the prior written consent of Numis, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

Further details of these arrangements, which are contained in the Underwriting Agreement, are set out in paragraph 9 "Underwriting Agreement" of Part 15 "Additional Information".

14 Withdrawals

In the event that the Company is required to publish a supplementary prospectus, applicants who have applied to subscribe for New Shares in the Offer will have at least two business days commencing on the first business day after the date of publication of the supplementary prospectus within which to withdraw their offer to acquire Shares in the Offer.

In addition, in the event that the Offer Price is set above the Price Range or the Price Range is revised higher, then applicants who have applied to subscribe for New Shares in the Offer would have a statutory right to withdraw their offer to subscribe for New Shares in the Offer in its entirety pursuant to Article 17 of the Prospectus Regulation before the end of a period of two business days commencing on the first business day after the date on which an announcement of this is published via a Regulatory Information Service announcement (or such later date as may be specified in that announcement) and the Pricing Statement would not be published until the time period for the statutory withdrawal has passed.

The right to withdraw an application to subscribe for New Shares in the circumstances set out above will be available to all investors. If the application is not withdrawn within the period stipulated in any supplementary prospectus or announcement (as described above), any offer to apply for New Shares in the Offer will remain valid and binding.

Any supplementary prospectus will be published in accordance with the Prospectus Regulation Rules and the JSE Listings Requirements (and notification thereof will be made to a Regulatory Information Service) but will not be distributed to investors individually. Any such supplementary prospectus will be published online at www.bytesplc.com and be available in printed form free of charge at the registered office of the Company until 14 days after Admission.

Details of how to withdraw an application will be made available if a supplementary prospectus or relevant announcement (as described above) is published.

15 Selling restrictions

The distribution of this Prospectus and the offer of New Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the New Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the New Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the New Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of New Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for any of the New Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

European Economic Area and the UK

This Prospectus comprises a prospectus relating to the Company prepared in accordance with the Prospectus Regulation Rules and approved by the FCA under section 87A of the FSMA. This Prospectus has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Regulation Rules.

This Prospectus is being distributed only to and is directed at persons who (if they are in the EEA) will fall within one of the categories of persons set out above in this paragraph 15. In addition, this Prospectus is being distributed only to and is directed at persons in the United Kingdom who are: (a) persons having professional experience in matters relating to investments falling within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion Order) 2005 as amended (the “**Order**”); or (b) persons who are high net worth bodies corporate, unincorporated associations and partnerships and the trustees of high value trusts, as described in Article 49(2)(a) to (d) of the Order; or (c) persons to whom it may otherwise be lawful to distribute it (all such persons together being referred to as “**relevant persons**”).

Any investment or any investment activity to which this communication relates is only available to and will only be engaged in with relevant persons and persons within the United Kingdom who receive this Prospectus (other than relevant persons) should not rely on or act upon this Prospectus or its contents.

In relation to each member state of the European Economic Area (each, a "**relevant member state**") and the UK no New Shares have been offered or will be offered pursuant to the Offer to the public in that relevant member state prior to the publication of a prospectus in relation to the New Shares which has been approved by the competent authority in the UK or that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Regulation, except that offers of New Shares may be made to the public in that relevant member state or the UK at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) in such relevant member state subject to obtaining the prior consent of Numis; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Regulation,

provided that no such offer of New Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Regulation or a supplemental prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any New Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Numis and the Company that it is a qualified investor.

For the purpose of this provision, the expression an "offer to the public" in relation to any New Shares in any relevant member state or the UK means a communication in any form and by any means presenting sufficient information on the terms of the offer and the New Shares to be offered so as to enable an investor to decide to subscribe for the New Shares.

The Company, Numis and their respective affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Numis of such fact in writing may, with the prior consent of Numis, be permitted to subscribe for Shares in the Offer.

15.1 ***United States***

The New Shares have not been and will not be registered under the US Securities Act, or under the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, resold, pledged, delivered, distributed or transferred, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the

United States.

The New Shares are being offered and sold (i) outside the United States in "offshore transactions" as defined in, and in reliance on, Regulation S and in compliance with applicable laws and (ii) in the United States only to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

In addition, until 40 days after the commencement of the Offer of the New Shares, an offer or sale of New Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the US Securities Act.

Each subscriber for New Shares within the United States, by accepting delivery of this Prospectus and the New Shares, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

(a) it is (a) a QIB within the meaning of Rule 144A, (b) acquiring the New Shares for its own account, or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations, warranties, undertakings, agreements and acknowledgements set forth herein, (c) acquiring the New Shares for investment purposes, and not with a view to any further distribution of such Shares, and (d) aware, and each beneficial owner of the New Shares has been advised, that the offer and sale of the New Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act;

(b) it understands that the New Shares are being offered and sold in the United States only in a transaction not involving any public offering in the United States within the meaning of the US Securities Act and that the New Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act, (b) in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the US Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the US Securities Act and, in each case, in accordance with any applicable securities laws of any state or other jurisdiction of the United States. It further (a) understands that the New Shares may not be deposited into any unrestricted depositary receipt facility in respect of the New Shares established or maintained by a depositary bank so long as such New Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, (b) acknowledges that the New Shares (whether in physical certificated form or in uncertificated form held in CREST) are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the New Shares and (c) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the New Shares made other than in compliance with the above-stated restrictions;

(c) it understands that the New Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT") OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (A "QIB") WITHIN THE MEANING OF RULE 144A UNDER THE US SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN "OFFSHORE TRANSACTION" IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE US SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE US SECURITIES

ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE US SECURITIES ACT, AND, IN EACH CASE, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISIDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE US SECURITIES ACT FOR RESALES OF THE SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS*;* and

(d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such New Shares while they remain "restricted securities" within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

Each subscriber for New Shares outside the United States, by accepting delivery of this Prospectus and the New Shares, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems neccessary to make an investment decision and that:

(a) the New Shares have not been and will not be registered under the US Securities Act, or under the securities laws of any state or other jurisdiction of the United States;

(b) it is acquiring such New Shares in an offshore transaction meeting the requirements of Regulation S; and

(c) it is not an affiliate of the Company as defined in Rule 405 under the Securities Act or a person acting on behalf of such an affiliate.

The Company, Numis and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements and each subscriber of New Shares agrees that, if any of such acknowledgements, representations or agreements deemed to have been made by virtue of its subscription of New Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any New Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

South Africa

In South Africa, the Offer will only be made by way of private placement to South African Qualifying Investors, being (a) selected persons falling within one of the specified categories listed in section 96(1)(a) of the South African Companies Act, and (b) selected persons, acting as principal, subscribing for New Shares for a total acquisition cost of ZAR1,000,000 or more, as contemplated in section 96(1)(b) of the South African Companies Act, and to whom the Offer will specifically be addressed, and only by whom the Offer will be capable of acceptance, and this Prospectus is only being made available to such South African Qualifying Investors. The information contained herein in respect of each class of South African Qualifying Investors is combined in this Prospectus for the sake of convenience only. Accordingly (a) the information contained in this Prospectus does not constitute, nor form part of, any offer or invitation to sell or issue, an advertisement or any solicitation of any offer or invitation to purchase or subscribe for any New Shares or any other securities and is not an offer to the public as contemplated in the South African Companies Act, (b) this Prospectus does not, nor does it intend to, constitute a “registered prospectus” or an “advertisement”, as contemplated by the South African Companies Act, and (c) no prospectus has been filed with the Companies and Intellectual Property Commission (the "**CIPC**") in respect of the Offer. As a result, this Prospectus does not comply with the substance and form requirements for a prospectus set out in the South African Companies Act and the South African Companies Regulations of 2011, and has not been approved by, and/or registered with, the CIPC, or any other South African authority. Accordingly, should any person in South Africa who is not a South African Qualifying Investor receive this document, they should not and will not be entitled to acquire any New Shares or otherwise act thereon. FinSurv and the JSE have approved the Prospectus as a pre-listing statement in terms of the JSE Listings Requirements.

The information contained in the Prospectus constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, 37 of 2002, as amended (the "**FAIS Act**") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the New Shares described therein or in relation to the business or future investments of the Company is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in the Prospectus should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Company is not a financial services provider licensed as such under the FAIS Act.

Canada

Any offer and sale of the New Shares in Canada is being made on a private placement basis only and is exempt from the requirement that the Company prepares and files a prospectus under applicable Canadian securities laws. Any resale of the New Shares into Canada must be made in accordance with applicable Canadian securities laws, which may vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with Canadian prospectus requirements, a statutory exemption from the prospectus requirements, in a transaction exempt from the prospectus requirements or otherwise under a discretionary exemption from the prospectus requirements granted by the applicable local Canadian securities regulatory authority. These resale restrictions may under certain circumstances apply to resales of the New Shares outside of Canada. There will be no public offering of the New Shares in Canada. This document does not contain all of the information that would normally appear in a prospectus under applicable Canadian securities laws. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the New Shares. Any representation to the contrary is an offense. This document is not, and under no circumstances is to be construed as, a prospectus, an advertisement or a public offering of the New Shares in Canada.

In Canada, the Offer will only be made by way of private placement to persons (“**Canadian Qualified Investors**”): (a) in the provinces of Ontario, Québec, Alberta or British Columbia: (b) who are a "accredited investor" within the meaning of Section 1.1 of NI 45-106 or subsection 73.3(1) of the OSA, as applicable, and is either purchasing the New Shares as principal for its own account, or is deemed to be purchasing the New Shares as principal for its own account in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution; (c) not created or used solely to purchase or hold the New Shares as an accredited investor under NI 45-106; (d) who are a "permitted client" within the meaning of NI 31-103; and (e) entitled under applicable Canadian securities laws to purchase the New Shares without the benefit of a prospectus under such securities laws. Any offer and sale of the New Shares in Canada will be made on a private placement basis only and will be exempt from the requirement that the Company prepares and files a prospectus under applicable Canadian securities laws. Each Canadian person who purchases the New Shares will be deemed to have represented that it qualifies as a Canadian Qualified Investor and will also be required to provide a Canadian investor letter certifying and acknowledging certain matters, including certifying its status as a Canadian Qualified Investor.

Securities legislation in certain provinces or territories of Canada may provide Canadian investors with remedies for rescission or damages if an “offering memorandum” such as this document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for the particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 - *Underwriting Conflicts* ("**NI 33-105**") of the Canadian Securities Administrators, Numis (and any other dealers) is not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Offer.

Any discussion of taxation and related matters contained in this document does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a Canadian investor when deciding to purchase the New Shares and, in particular, does not address any Canadian tax considerations. No representation or warranty is hereby made as to the tax consequences to a resident, or deemed resident, of Canada of an investment in the New Shares or with respect to the eligibility of the New Shares for investment by such investor under relevant Canadian federal and provincial legislation and regulations.

Upon receipt of this document, each Canadian person hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute* *confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

Other Overseas territories

Investors in jurisdictions other than the United Kingdom, European Economic Area, the United States and South Africa should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to subscribe for any Shares under the Offer.

PART 15 - ADDITIONAL INFORMATION

1 **Responsibility statement**

1.1 The Directors, whose names appear on page 33 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 The Directors, collectively and individually, accept full responsibility for the completeness and the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Prospectus contains all information required by South African law and the JSE Listings Requirements (for pre-listing statements).

2 **Incorporation and share capital**

2.1 The Company was incorporated and registered in England and Wales on 7 October 2020 as a public limited company under the Act with the name Bytes Technology Holdings plc and with the registered number 12935776. On 28 October 2020, the Company's name was changed to Bytes Technology Group plc. The Company is not registered as an external company in terms of the South African Companies Act.

2.2 The Company's registered office is Bytes House, Randalls Way, Leatherhead, Surrey, England, KT22 7TW and principal place of business is at Bytes House, Randalls Way, Leatherhead, Surrey, England, KT22 7TW and its telephone number is +44 1372 418 500.

2.3 On Admission, the business of the Company, and its principal activity, will be to act as the ultimate holding company of the Bytes Group.

2.4 The principal legislation under which the Company operates and the Shares have been created are the Act and regulations made thereunder. The Company operates in conformity with its constitution.

2.5 The share capital history of the Company since incorporation is as follows:

2.5.1 On incorporation, the issued share capital of the Company was 2 Shares of £0.01 each.

2.5.2 On 15 October 2020, the Company issued 50,000 redeemable preference shares of £1.00 each.

2.5.3 On 3 November 2020, the Company issued 220,506,494 Convertible Loan Notes which confer conditional rights to subscribe in aggregate for up to 220,506,494 Converted Shares.

2.6 On 26 October 2020, by resolutions passed at a general meeting of the Company:

2.6.1 for the purposes of section 551 of the Act, the Directors were generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to an aggregate nominal amount of £2,205,064.94, provided that (unless previously revoked, varied or renewed by the Company), such authority would expire on 26 April 2021; and

2.6.2 the Directors were empowered in accordance with section 570 of the Act to allot equity securities for cash, pursuant to the authority conferred on them to allot such shares or grant such rights as described in paragraph 2.6.1 above, as if section 561(1) of the Act did not apply to any such allotment, provided that such authority is limited to the allotment of equity securities up to an aggregate nominal value of £2,205,064.94.

2.7 On 30 November 2020, by resolutions passed at a general meeting of the Company in each case subject to and conditional upon Admission:

2.7.1 in substitution for any prior authority conferred upon the Directors (but without prejudice to any allotments made pursuant to the terms of such prior authority), the Directors were generally and unconditionally authorised pursuant to and in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any security into shares in the Company up to a maximum nominal amount of £2,429,018.60, such authority expiring immediately following Admission or 12.01 a.m. on 1 January 2021, whichever is sooner (unless previously renewed, varied or revoked by the Company at a general meeting), provided that the Company may before such authority expires, make an offer or enter into an agreement which would or might require such securities to be allotted after such expiry and the Directors may allot such securities in pursuance of that offer or agreement as if the power conferred by this authority had not expired;

2.7.2 in addition to the authority set out in paragraph 2.7.1 above, the Directors were generally and unconditionally authorised pursuant to and in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any security into shares in the Company:

(1) up to a to a nominal amount of £808,863.20 (which is equal to approximately 33.3 per cent. of the aggregate nominal value of the share capital of the Company immediately following Admission); and

(2) comprising equity securities up to an aggregate nominal amount of a further £808,863.20 (which is equal to approximately 33.3 per cent. of the aggregate nominal value of the share capital of the Company immediately following Admission) in connection with an offer by way of a rights issue to: (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and (ii) holders of other equity securities as required by the rights of those securities or, subject to such rights as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;

such authority expiring at the conclusion of the first annual general meeting of the Company or at 6.00 p.m. on 28 February 2022, whichever is sooner (unless previously renewed, varied or revoked by the Company at a general meeting), provided that the Company may before such authority expires, make an offer or enter into an agreement which would or might require such securities to be allotted after such expiry and the Directors may allot such securities in pursuance of that offer or agreement as if the power conferred by this authority had not expired;

2.7.3 in substitution for any prior authority conferred upon the Directors (but without prejudice to any allotments made pursuant to the terms of such prior authority), the Directors were given powers pursuant to sections 570 and 573 of the Act to allot equity securities for cash under the authority given by the resolution set out in paragraph 2.7.1 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, as if section 561(1) and sub-sections (1) to (6) of section 562 of the Act did not apply to any such allotment, provided that such power is limited to the allotment of equity securities up to an aggregate nominal value not exceeding £2,429,018.60, such authority expiring immediately following Admission or 12.00 a.m. on 1 January 2021, whichever is sooner (unless previously renewed, varied or revoked by the Company at a general meeting), provided that the Company may before such authority expires, make an offer or enter into an agreement which would or might require such securities to be allotted after such expiry and the Directors may allot such securities in pursuance of that offer or agreement as if the power conferred by this authority had not expired;

2.7.4 in addition to the authority set out in paragraph 2.7.3 above, the Directors were given powers pursuant to sections 570 and 573 of the Act to allot equity securities for cash under the authority set out in in paragraph 2.7.2 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, as if section 561(1) and sub-sections (1) to (6) of section 562 of the Act did not apply to any such allotment, provided that such power is limited to:

(1) the allotment of equity securities in connection with an offer of, or invitation to

apply for, equity securities (but in the case of the authority granted under limb (2) of the authority set out in in paragraph 2.7.2 above, by way of a rights issue only) to:

(i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) holders of other equity securities as required by the rights of those securities or, subject to such rights as the Directors otherwise consider necessary,

and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(2) the allotment of equity securities for cash (otherwise than pursuant to limb (1) above) up to an aggregate nominal amount of £121,451.00 (which is equal to approximately 5 per cent. of the aggregate nominal value of the share capital of the Company immediately following Admission),

such authority expiring at the conclusion of the first annual general meeting of the Company or at 6.00 p.m. on 28 February 2022, whichever is sooner (unless previously renewed, varied or revoked by the Company at a general meeting), provided that the Company may before such authority expires, make an offer or enter into an agreement which would or might require such securities to be allotted after such expiry and the Directors may allot such securities in pursuance of that offer or agreement as if the power conferred by this authority had not expired;

2.7.5 in addition to the authorities set out in paragraph 2.7.3 and 2.7.4 above, the Directors were given powers pursuant to sections 570 and 573 of the Act to allot equity securities for cash under the authority given the resolution set out in paragraph 2.7.2 and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, as if section 561(1) and sub-sections (1) to (6) of section 562 of the Act did not apply to any such allotment, provided that such power is:

(1) limited to the allotment of equity securities up to a nominal amount of £121,451.00 (which is equal to approximately 5 per cent. of the aggregate nominal value of the share capital of the Company immediately following Admission); and

(2) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Pre-Emption Group's Statement of Principles most recently published by the Pre-Emption Group prior to 30 November 2020,

such authority expiring at the conclusion of the first annual general meeting of the Company or at 6.00 p.m. on 28 February 2022, whichever is sooner (unless previously renewed, varied or revoked by the Company at a general meeting), provided that the Company may before this authority expires, make an offer or enter into an agreement which would or might require such securities to be allotted after such expiry and the Directors may allot such securities in pursuance of that offer or agreement as if the power conferred by this authority had not expired;

2.7.6 the Company was authorised for the purpose of section 701 of the Act to make market purchases of Shares on such terms and in such manner as the Directors may determine provided that:

(1) the maximum number of Shares which may be purchased is 24,290,186;

(2) the minimum price (exclusive of expenses) which may be paid for each Share is

its nominal value;

(3) the maximum price (exclusive of expenses) which may be paid for a Share shall not be more than the higher of: (i) an amount equal to 105 per cent. of the average middle market quotations for a Share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately preceding the day on which the Share is purchased; and (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System;

(4) this authority expires at the conclusion of the first annual general meeting of the Company or at 6.00 p.m. on 28 February 2022, whichever is sooner; and

(5) the Company may make a contract to purchase its own Shares under the authority conferred by this resolution prior to the expiry of such authority, and such contract will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own a Shares in pursuance of any such contract;

2.7.7 in accordance with section 366 of the Act, during the period from 30 November 2020 until the conclusion of the first annual general meeting of the Company or 6.00 p.m. on 28 February 2022, whichever is sooner, the Company and any company which at any time during the period for which such authority has effect, is or becomes a subsidiary of the Company, was authorised to:

(1) make political donations to political parties and/or independent election candidates not exceeding £50,000;

(2) make political donations to political organisations other than political parties not exceeding £50,000; and

(3) incur political expenditure not exceeding £50,000,

provided that the aggregate amount of such political donations and political expenditure shall not exceed £100,000. For the purposes of this authority, the expressions "political donations", "political party", "political organisations", "independent election candidate" and "political expenditure" have the meanings set out in Part 14 of the Act;

2.7.8 a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice. In accordance with best corporate governance, the shorter notice period would not be used as a matter of routine, but only where flexibility is merited by the business of the meeting, the proposals are time-sensitive and it is thought to be to the advantage of shareholders as a whole.

2.8 The authorities conferred pursuant to paragraphs 2.7.2, 2.7.4 and 2.7.5 above have been conferred assuming that the Company will have 242,901,860 Shares in issue immediately following Admission (being the absolute maximum number of Shares assuming the Offer Price is set at the bottom of the price range and 100 per cent. of the Convertible Notes held by Altron Ordinary Shareholders are redeemed for cash). However, as at 30 November 2020 (being the latest practicable date prior to publication of this Prospectus), it was not known what the issued share capital of the Company would be immediately following Admission. Accordingly, the Directors will not allot securities pursuant to such authorities if and to the extent that such allotment would exceed the respective percentages indicated therein based upon the actual issued share capital of the Company immediately following Admission.

2.9 Save as disclosed above and in paragraph 5 of this Part 15 "Additional Information":

2.9.1 no share or loan capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Demerger and the Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;

2.9.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and

2.9.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option and the Company holds no treasury shares.

2.10 The Shares have been and will be created under the Act and they do and will conform with the laws of England and Wales. The Shares have been and will be duly authorised according to the requirements of the Company's constitution and the Company will have all necessary statutory and other consents.

2.11 The Shares are in registered form and, subject to the provisions of the CREST Regulations, the Board may permit the holding of Shares of any class in uncertificated form and title to such Shares may be transferred by means of a relevant system (as defined in the Regulations). Where Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

3 Articles of Association

The articles of association of the Company (the "**Articles**") contain provisions, amongst others, to the following effect:

3.1 Voting rights

Subject to any terms as to voting upon which any shares may be issued or may for the time being be held, the total number of votes a member present in person or (being a corporation) who is present by a duly authorised representative or a proxy for a member has on a show of hands shall be determined in accordance with the Act. On a poll every member present in person or by proxy or by representative (in the case of a corporate member) shall have one vote for each share of which he is the holder, proxy or representative. If a member or his duly appointed representative or proxy present at a general meeting votes on a poll, he does not need to use all his votes or cast all the votes in the same way.

A shareholder is not entitled to vote unless all calls due from him have been paid.

A shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Act (a "**793 notice**") and, having failed to comply with such notice within the period specified in such notice (being not less than 14 days from the date of service of such notice), is served with a disenfranchisement notice. Such disentitlement will apply until the Company has withdrawn the disenfranchisement notice, or until the disenfranchisement notice is deemed to have been withdrawn(seven days after receipt by the Company of the information required to comply with the 793 notice) whichever is the earlier.

3.2 General meetings

The Company must hold an annual general meeting in accordance with the Act in addition to any other general meetings held in the year. The directors can call a general meeting at any time.

At least 21 clear days' written notice must be given for every annual general meeting. For all other general meetings, not less than 14 clear days' written notice must be given. The notice for any general meeting must state:

(a) whether the meeting is an annual general meeting or general meeting;

(b) the date, time and place of the meeting;

(c) whether the meeting is a physical meeting or a hybrid meeting;

(d) where the meeting is a hybrid meeting, details of the facilities for attendance and participation by electronic means at the meeting;

(e) the general nature of the business of the meeting;

(f) any intention to propose a resolution as a special resolution; and

(g) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of him and that a proxy need not also be a member.

All members who are entitled to receive notice under the Articles must be given notice.

Before a general meeting starts, there must be a quorum, being two members present in person or by proxy or corporate representative.

Each Director can attend and speak at any general meeting.

To facilitate the organisation and administration of any general meeting, the Company may decide that the meeting shall be held at two or more locations. Any general meeting of the Company taking place at two or more locations shall be treated as taking place where the Chairman of the meeting presides ("**principal meeting place**") and any other location where that meeting takes place will be a "satellite meeting". A member present in person or by proxy at a satellite meeting may be counted in the quorum and may exercise all rights that they would have been able to exercise if they were present at the principal meeting place.

3.3 **Dividends**

Subject to the Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to the Act, the Board may from time to time pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares. Any dividend unclaimed after a period of 6 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution, offer the holders of Shares the right to elect to receive additional ordinary shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

The Board may withhold dividends payable on Shares representing not less than 0.25 per cent. by number of the issued shares of any class after there has been a failure to comply with any notice under section 793 of the Act requiring the disclosure of information relating to interests in the shares concerned as referred to in the paragraph above.

3.4 **Return of capital**

On a voluntary winding-up of the Company the liquidator may, with the sanction of a special resolution of the Company and subject to the Act and the Insolvency Act 1986 (as amended), or the rights of any other class of shares divide amongst the shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

3.5 **Transfer of shares**

The Shares are in registered form.

The Articles provide for shares to be held in CREST accounts, or through another system for holding shares in uncertificated form, such shares being referred to as "**Participating Securities**". Subject to such of the restrictions in the Articles as shall be applicable, any member may transfer all or any of his shares. In the case of shares represented by a certificate ("**Certificated Shares**") the transfer shall be made by an instrument of transfer in any usual form or in any other form which the Board may approve. Transfers of Participating Securities will be in accordance with and subject to the Uncertificated Securities Regulations 2001.

The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.

The Board may, in its absolute discretion and without assigning any reason therefor, refuse to register any instrument of transfer of shares, all or any of which are not fully paid.

The Board may also refuse to register a transfer unless:

(a) in the case of a Certificated Share, the instrument of transfer (duly stamped if required) or duly certificated (or otherwise shown to the satisfaction of the Board to be exempt from stamp duty) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;

(b) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share;

(c) in the case of a transfer to joint holders, the transfer is in favour of not more than four such transferees; and

(d) the instrument of transfer relates to a share in respect of which all sums presently payable to the Company have been paid and which is freely transferable, unless otherwise required by law.

In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.

The Board may also decline to register a transfer of shares if they represent not less than 0.25 per cent. by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 3.8 below) resulting in a disenfranchisement notice, unless the shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the Company withdraws the disenfranchisement notice, or it is deemed to have been withdrawn, but the Board shall not decline to register:

(a) a transfer which is shown to the satisfaction of the Board to be in connection with a bona fide sale of the beneficial interest in any shares to any person who is unconnected with the shareholder and with any other person appearing to be interested in the share;

(b) a transfer pursuant to the acceptance of an offer made to all the Company's shareholders or all the shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or

(c) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the United Kingdom on which the Company's shares are normally traded.

3.6 Variation of rights

Subject to the Act, all or any of the rights attached to any class of share may be varied (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as set out above, such rights shall not be varied.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking *pari passu* therewith or subsequent thereto.

3.7 Share capital and changes in share capital

Subject to and in accordance with the provisions of the Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued on terms that they are to be redeemed or that they are, at the option of the Company or a member, liable to be redeemed on such terms and in such manner as may be determined by the Board.

Subject to the provisions of the Articles and the Act and without prejudice to the rights attaching to any existing shares or class of shares, the Board may offer, allot (with or without a right of renunciation), issue, grant options over, reclassify or otherwise deal with or dispose of shares to such persons, at such time and for such consideration and upon such terms and conditions as the Board may determine.

The Company may by ordinary resolution alter its share capital in accordance with the Act. The relevant resolution may determine that, as between the holders of shares resulting from a sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others. Any alteration of the Company's share capital shall be approved by special resolution if such alteration would constitute an amendment or alteration to the Articles for the purposes of the JSE Listings Requirements.

3.8 Disclosure of interests in shares

Section 793 of the Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a shareholder receives a statutory notice of this nature, he or she has 14 days to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a "**disenfranchisement notice**"). The disenfranchisement notice will state that the identified shares no longer give the shareholder any right to attend or vote at a shareholders' meeting or to exercise any other right in relation to shareholders' meetings.

Once the disenfranchisement notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.

The Articles do not restrict in any way the provisions of section 793 of the Act.

3.9 Non-UK and non-South African shareholders

Shareholders with addresses outside the United Kingdom and South Africa are not entitled to receive notices from the Company unless they have given the Company an address within the United Kingdom or within South Africa at which such notices shall be served.

3.10 Untraced shareholders

Subject to various notice requirements, the Company may sell any of a shareholder's shares in the Company if, during a period of 12 years, at least three dividends on such shares have become payable and no dividend has been claimed during that period in respect of such shares, the Company has received no indication of the whereabouts of the shareholder, it has taken reasonable steps to trace the shareholder and it has sent a notice of its intention to sell the shares to the shareholder's last known address.

3.11 Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party.

These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the shareholders.

3.12 Directors

Subject to the Act, and provided he has made the necessary disclosures, a Director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.

The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if any requirement about the quorum of the meeting is met without including the Director in question and any other interested Director and the matter was agreed to without such Directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.

Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, an interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution where:

(a) the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(b) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares, debentures or other securities by the Company or any of its subsidiary undertakings for subscription, purchase or exchange;

(c) the resolution relates to the giving to him of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;

(d) the resolution relates to the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangements;

(e) the resolution relates to any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise provided that he does not hold an interest in shares (as that term is used in Part 22 of the Act) representing 1 per cent. or more of either any class of the equity share capital of such company or the voting rights available to members of such company;

(f) the resolution relates to any arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings, which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(g) the resolution relates to any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any of the Directors or for persons who include Directors provided that, for these purposes, "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him or any other insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any groups of persons consisting of or including Directors; or

(h) the resolution relates to the giving to him or any other person of a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by him or by any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings.

The Directors shall be paid such remuneration by way of fees for their services as may be determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company in general meeting, the aggregate amount of such fees of all Directors (excluding any remuneration of a Director under or in connection with an executive service contract) shall not exceed £750,000 per annum. The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of any Directors who held (but no longer hold) executive office or employment with the Company or any of its subsidiary undertakings or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.

The Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Act. Subject to sections 205(2) to (4) of the Act, the Company may provide a Director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority and indemnify a Director in connection with the Company's activities as a trustee of a pension scheme.

The Directors are obliged to retire by rotation and are eligible for re-election annually. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.

There is no age limit for Directors.

Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two nor more than 10 in number.

No person other than a Director retiring at a general meeting will be eligible for election to the office of a director at any general meeting (save where recommended by the Board) unless not less than 7 days nor more than 42 days before the day of the general meeting, a member entitled to vote at such meeting gives written notice of his intention to propose such a person for the election. The notice must be signed by the member and the nominee acknowledging his nomination and be delivered to the Company secretary.

3.13 **Redemption**

The Shares are not redeemable.

3.14 **Electronic communications**

The Company may communicate electronically with its members in accordance with the provisions of the Electronic Communications Act 2000.

3.15 **Movement of Shares between registers**

The Shares are fully fungible and will be able to be transferred between registers, subject to investors obtaining the exchange control approvals where necessary. South African resident investors may only acquire Shares, via the JSE, that are already on the South African branch share register maintained by Computershare Investor Services Proprietary Ltd, the Company's transfer secretaries. Non-South African residents are not subject to South African Exchange Control Regulations and may freely transfer the Shares between branch registers.

4 **Mandatory bids and compulsory acquisition rules relating to ordinary shares**

Other than as provided by the City Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell out rules relating to the Company.

4.1 **Mandatory bid**

Rule 9 of the City Code provides that, except with the consent of the Takeover Panel, when: (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or (b) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he (together with those acting in concert with him) is interested, then, in either case, that person and/or other persons acting in concert with him, would normally be required to extend offers in cash, at the highest price paid by him (or any persons acting in concert with him) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights.

4.2 **Squeeze-out**

Under the Act, if a ''takeover offer'' (as defined in section 974 of the Act) is made for the shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which the takeover offer relates (the ''**Takeover Offer Shares**'') and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, the offeror could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Act must, in general, be the same as the consideration that was available under the takeover offer.

4.3 **Sell-out**

The Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require the offeror to acquire those shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his or her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

4.4 **Concert Party**

The City Code provides that persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company and that, amongst other examples, shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Code applies, shall be presumed to be acting in concert. Bytes UK Management are considered to be acting in concert with each other in relation to the Company for the purposes of the City Code. Bytes UK Management will be interested in (directly or indirectly), in aggregate, five per cent. of the issued share capital of the Company on Admission (as enlarged by the issue of such Shares to Bytes UK Management).

5 **Directors' and Senior Management's interests**

5.1 The Directors and members of the Senior Management, their functions within the Group and brief biographies are set out in Part 7 "Directors, Senior Management and Corporate Governance".

5.2 Each of the Directors can be contacted at the Company's head office address at Bytes House, Randalls Way, Leatherhead, Surrey, England, KT22 7TW.

5.3 It is expected that the interests in the ordinary share capital of the Company of the Directors and Senior Management (all of whom, unless otherwise stated, are beneficial or are interests of a person connected (within the meaning of section 252 of the Act) with a Director or a member of Senior Management) immediately prior to, and immediately following, Admission are as follows:

(A) Mid-Point of the Price Range

	Immediately prior to Admission		Immediately following Admission	
Director / Member of Senior Management	**Number of Shares**	**Percentage of issued ordinary share capital**	**Number of Shares(1)**	**Percentage of issued ordinary share capital(1)**
Patrick De Smedt	-	-	94,339	0.04%
Neil Murphy	1	50	4,180,987	1.75%
Keith Richardson	1	50	4,180,987	1.75%
David Maw	-	-	15,094	0.01%
Mike Phillips	-	-	75,471	0.03%
Alison Vincent	-	-	3,773	0.00%
Sam Mudd	-	-	-	-
Paul Emms	-	-	-	-

Notes:

(1) Based on the Base Offer Size Assumptions.

(B) Bottom of the Price Range

	Immediately prior to Admission		Immediately following Admission	
Director / Member of Senior Management	**Number of Shares**	**Percentage of issued ordinary share capital**	**Number of Shares(1)**	**Percentage of issued ordinary share capital(1)**
Patrick De Smedt	-	-	104,166	0.04%
Neil Murphy	1	50	4,184,866	1.75%
Keith Richardson	1	50	4,184,866	1.75%
David Maw	-	-	16,666	0.01%
Mike Phillips	-	-	83,333	0.03%
Alison Vincent	-	-	4,166	0.00%
Sam Mudd	-	-	-	-

Director / Member of Senior Management	Immediately prior to Admission		Immediately following Admission	
	Number of Shares	Percentage of issued ordinary share capital	Number of Shares(1)	Percentage of issued ordinary share capital(1)
Paul Emms	-	-	-	-

Notes:

(1) Based on the Base Offer Size Assumptions.

(C) Top of the Price Range

Director / Member of Senior Management	Immediately prior to Admission		Immediately following Admission	
	Number of Shares	Percentage of issued ordinary share capital	Number of Shares(1)	Percentage of issued ordinary share capital(1)
Patrick De Smedt	-	-	86,206	0.04%
Neil Murphy	1	50	4,177,777	1.75%
Keith Richardson	1	50	4,177,777	1.75%
David Maw	-	-	13,793	0.01%
Mike Phillips	-	-	68,965	0.03%
Alison Vincent	-	-	3,448	0.00%
Sam Mudd	-	-	-	-
Paul Emms	-	-	-	-

Notes:

(1) Based on the Base Offer Size Assumptions.

5.4 As at 30 November 2020 (the latest practicable date prior to publication of this Prospectus), in so far as is known to the Company, as a result of the Demerger, there are the following interests (within the meaning of Part VI of the Act) (other than interests held by the Directors and members of Senior Management) which will at Admission represent, directly or indirectly, 3 per cent. or more of the issued ordinary share capital of the Company:

(A) Mid-point of the Price Range

Shareholders	Immediately prior to Admission		Immediately following Admission based on the Base Offer Size Assumptions		Immediately following Admission based on the Maximum Offer Size Assumptions	
	Number of Shares	Percentage of issued ordinary share capital	Number of Shares	Percentage of issued ordinary share capital	Number of Shares	Percentage of issued ordinary share capital
Coronation	-	-	38,679,702	16.2%	38,679,702	16.1%
Biltron	-	-	21,072,090	8.8%	18,262,478	7.6%
VCP	-	-	8,319,990	3.5%	-	-

(B) Bottom of the Price Range

Shareholders	Immediately prior to Admission		Immediately following Admission based on the Base Offer Size Assumptions		Immediately following Admission based on the Maximum Offer Size Assumptions	
	Number of Shares	Percentage of issued ordinary share capital	Number of Shares	Percentage of issued ordinary share capital	Number of Shares	Percentage of issued ordinary share capital
Coronation	-	-	38,679,702	16.2%	38,679,702	16.0%
Biltron	-	-	21,072,090	8.8%	18,262,478	7.6%
VCP	-	-	8,319,990	3.5%	-	-

(C) Top of the Price Range

Shareholders	Immediately prior to Admission		Immediately following Admission based on the Base Offer Size Assumptions		Immediately following Admission based on the Maximum Offer Size Assumptions	
	Number of Shares	Percentage of issued ordinary share capital	Number of Shares	Percentage of issued ordinary share capital	Number of Shares	Percentage of issued ordinary share capital
Coronation	-	-	38,679,702	16.2%	38,679,702	16.1%
Biltron	-	-	21,072,090	8.8%	18,262,478	7.6%
VCP	-	-	8,319,990	3.5%	-	-

Save as disclosed above, in so far as is known to the Directors, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3 per cent. or more of the issued ordinary share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have or will have different voting rights attached to the Shares they hold in the Company.

5.5 Other than the Demerger SPA entered into by the Executive Directors, no Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Bytes Group or any of its subsidiary undertakings and which were effected by the Bytes Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

5.6 There are no outstanding loans or guarantees granted or provided by any member of the Bytes Group to or for the benefit of any of the Directors.

5.7 There are no family relationships between any of the Directors and/or the Senior Management.

6 Directors and Senior Management

The Directors and their functions are set out in Part 6 "Directors, Senior Management and Corporate Governance.

6.1 Executive Directors

Neil Murphy, CEO, and Keith Richardson, CFO, are currently engaged by the Company pursuant to service agreements dated 30 October 2020. Neil's service agreement is terminable on not less than 12 months' notice by either party, and Keith's service agreement is terminable on not less than 6 months' notice by either party.

Neil and Keith currently receive base salaries of £375,000 and £320,000, respectively, per annum. The base salaries are reviewed annually. Each of Neil and Keith are eligible for an annual bonus payment, subject to the achievement of a combination of financial and personal objectives. Each of Neil and Keith currently receives medical and life insurance, and is entitled to receive an amount equal to 1.48 per cent and 1.694 per cent of their base salaries, respectively, as a contribution to a group personal pension scheme.

Each of Neil and Keith will be subject to non-solicitation, non-dealing and non-hiring restrictive covenants for a period of 12 months, and to non-competition restrictive covenants for a period of 6 months, after the termination of his employment arrangement. Neil and Keith are each subject to a confidentiality undertaking without limitation in time.

6.2 Non-Executive Directors

Patrick De Smedt, David Maw, Mike Phillips and Alison Vincent were appointed to the Board on 15 October 2020, 15 October 2020, 6 November 2020 and 6 November 2020, respectively, pursuant to letters of appointment dated 27 July 2020, 23 October 2020, 19 October 2020 and 21 October 2020, respectively. Their current fees are £180,000, £50,000, £70,000 (comprising a base fee of £50,000, a £10,000 fee for his role as chair of the Company's audit committee and a £10,000 fee for his role as Senior Independent Director) and £60,000 (comprising a base fee of £50,000 and a £10,000 fee for her role as chair of the Company's remuneration committee) respectively, per annum. Their appointments are terminable on not less than one month's notice by either party.

Each Non-Executive Director is also entitled to reimbursement of reasonable expenses.

The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Bytes Group's share, bonus or pension schemes.

The Non-Executive Directors are subject to confidentiality undertakings without limitation in time.

Save as set out in paragraphs 6.1 (Executive Directors) and 6.2 (Non-Executive Directors) above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Bytes Group.

6.3 Company Secretary

Willem Karel Groenewald was appointed as the Company's Company Secretary on 7 October 2020. Willem is an admitted attorney and chartered secretary, and holds an LLM degree in corporate law from the University of Stellenbosch. Willem is a member of the South African Institute of Chartered Secretaries and Administrators.

6.4 Directors' and Senior Management's Remuneration

Under the terms of their service agreements at the time, the aggregate remuneration and benefits for the directors of Bytes UK and the Senior Management of the Bytes Group who served during the financial year ended 29 February 2020, consisting of four individuals, was £1,513,754.

The aggregate amount set aside by the Bytes Group to provide pension, retirement or similar benefits in relation to the directors of the Bytes Group and the Senior Management of the Bytes Group who served during financial year ended 29 February 2020, was £44,302.

Under the terms of their service agreements, letters of appointment and applicable incentive plans, during the financial year ended 29 February 2020, the Directors were remunerated as set out below:

Name	Annual Salary and Fees (£)	Bonus (£)	Taxable Benefits (£)	Pension Contributions (£)	Total (£)
Patrick De Smedt	N/A	N/A	N/A	N/A	N/A
Neil Murphy	264,812	178,748	8,399	10,372	462,331
Keith Richardson	224,775	151,710	2,315	14,529	393,308
David Maw	35,000	0	0	1,371	36,371
Mike Phillips	N/A	N/A	N/A	N/A	N/A
Alison Vincent	N/A	N/A	N/A	N/A	N/A

There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

6.5 Remuneration Policy

The Company's Directors' remuneration policy will be submitted for Shareholder approval at the Company's annual general meeting in 2021 in compliance with section 439A of the Act. The Executive Directors (the Chief Executive Officer and the Chief Financial Officer) will each be remunerated through a combination of fixed pay and variable pay. Fixed pay will be comprised of: (a) base salary; (b) benefits; and (c) pension. Pension contribution rates for the Executive Directors as percentages of salary are aligned to (or are lower than) the rates of contributions of the majority of employees.

Variable pay will initially be in the form of a discretionary annual bonus only. Appropriate disclosures regarding the annual bonus plan for the Executive Directors will be made in the Annual Report and Accounts for FY21, including any outcomes for FY21 (for which the originally set bonus plan is intended to apply for the full year, notwithstanding Admission) and proposals for annual bonus in FY22 (in which maximum annual bonuses for the Executive Directors will be capped at 100 per cent. of base salary and one-third of outcomes subject to deferral in shares).

The Company's Remuneration Committee will consider each year (commencing with FY22) whether it is appropriate to make an award to the Executive Directors under the Performance Share Plan ("PSP"), as described in paragraph 7.3 of this Part 15 "Additional Information". Appropriate disclosures regarding any such awards (including the detail of performance conditions) will be made in the relevant Annual Report and Accounts and/or RNS announcements regarding those awards when made. Any such awards would be subject to the limits on PSP awards described in paragraph 7.3 of this Part 15 "Additional Information" (normally limited to 150 per cent. of base salary per annum) and any such awards would have a 2-year holding period after the initial vesting of award shares.

All Executive Directors will be subject to a shareholding guideline (200 per cent. of base salary) which will apply whilst in the role and for two years following cessation of employment.

Material terms of the Executive Directors' service agreements with the Company are described in paragraph 6.1 of this Part 15 "Additional Information". Details of the fees which the non-executive directors are entitled to receive, and the material terms of their appointment are described paragraph 6.2 of this Part 15 "Additional Information".

6.6 Directors' and Senior Management's current and past directorships and partnerships

Set out below are the directorships (unless otherwise stated) and partnerships held by the Directors and members of Senior Management (other than, where applicable, directorships held in the Company and other members of the Group), in the five years prior to the date of this Prospectus:

Name	Current directorships / partnerships	Past directorships / partnerships
Patrick De Smedt	EMIS Group plc PageGroup plc Divitas HoldCo Ltd The Chancellery Resident Company Limited 18 St James Square Management Company Limited	Kodak Alaris Holdings Limited Kcom Group Limited Morgan Sindall Group plc Victrex plc Nexinto Holding Limited Nexinto Limited
Neil Murphy	None	None
Keith Richardson	None	None
David Maw	None	None
Mike Phillips	None	Micro Focus International plc Micro Focus Limited Micro Focus (IP) Ltd Micro Focus (US) Holdings Micro Focus IP Development Limited Micro Focus Holdings Unlimited Micro Focus Group Limited Micro Focus MHC Limited Micro Focus Midco Limited Micro Focus CHC Limited Micro Focus (IP) Holdings Limited Micro Focus Midco Holdings Limited Micro Focus Ireland Limited Micro Focus Group Holdings Unlimited Micro Focus International Holdings Limited Micro Focus (IP) Ireland Limited Authasas B.V. Micro Focus Marigalante Ltd Micro Focus IP Limited The Attachmate Group, Inc. Attachmate Corporation Micro Focus Software Inc. Micro Focus (US), Inc. Novell International Holdings, Inc. SUSE LLC Seattle MergerSub, Inc. Miami Escrow Borrower LLC MA Finance Co., LLC AccuRev, Inc
Alison Vincent	Synectics PLC Connected Places Catapult SEI Investments (Europe) Ltd	Telesoft Technologies Limited Valiha Consultancy Ltd Claisse St Vincent Ltd A&M Vincent Property Limited Ferneham Health Limited
Sam Mudd	None	None
Paul Emms	None	None

6.7 Conflicts of interest

There are no actual or potential conflicts of interest between the duties owed by the Directors or Senior

Management to the Bytes Group, and the private interests and/or other duties that they may also have.

6.8 Directors and Senior Management confirmations

Within the period of five years preceding the date of this Prospectus, none of the Directors or members of Senior Management:

(a) has had any convictions in relation to fraudulent offences, dishonesty, theft, forgery, perjury, misrepresentations or embezzlement;

(b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company;

(c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company;

(d) has been a director or an alternative director of a company placed under liquidation, business rescue (under South African law), administration or appointment of an executor during such directors' term;

(e) has ever been adjudged bankrupt or sequestrated in any jurisdiction;

(f) has ever been found guilty in disciplinary proceedings, by an employer or regulatory body due to dishonest activities;

(g) has ever been barred from entry into any profession or occupation;

(h) has at any time, or has a company of which they were a director, an alternative director or officer at the time of the offence, been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the South African Companies Act;

(i) has ever been removed from an office of trust on the grounds of misconduct involving dishonesty; or

(j) has been the subject of an order granted by any court declaring the director to be delinquent or placing the director under probation in terms of section 162 of the South African Companies Act.

7 Share-based incentive arrangements

The Company currently intends to adopt share-based incentive plans on the terms disclosed below, conditional on Admission.

Other than as described below, no awards are intended to be made under any of the plans summarised in this paragraph 7 of Part 11 "Additional Information" until after the Company's announcement of annual results for FY21.

In recognition of the contribution made by key employees up to the time of Admission in relation to the success of the Company to date, one-off nil cost options will be granted to such employees (excluding for the avoidance of doubt the Chief Executive Officer and the Chief Financial Officer) in connection with Admission (together, the "**IPO Awards**").

The IPO Awards will in aggregate relate to such number of Shares as have a value of up to £4 million by reference to the Offer Price. It is expected that around 200 selected employees will participate in the IPO Awards. The IPO Awards will be subject to a three year vesting period. The IPO Awards are styled as "Restricted Stock" and will not include any pre-vesting company performance conditions as they are being made in recognition of past performance and in order to act as a retention mechanism for the selected employees. The IPO Awards will vest (to the extent not already vested) in full on a future change of control.

The IPO Awards will be granted under the PSP described at paragraph 9.3 of this Part 11 "Additional Information".

7.1 The Company Share Option Plan ("CSOP")

Part 1 of the CSOP is intended to meet the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 ("**ITEPA**") and provides for the grant of HM Revenue & Customs (**"HMRC"**) tax-advantaged options. Part 2 of the CSOP provides for the grant of non tax-advantaged options. The CSOP shall be administered by the Board or a committee of Directors appointed by the Board to carry out any of its functions under the plan.

(a) **Eligibility**

All full-time directors who are required to work not less than 25 hours per week (excluding meal breaks) and all employees of any company in the Bytes Group that the Board has nominated to be a "constituent company" for the purposes of the CSOP are eligible to participate in the CSOP (**"eligible employees"**).

(b) **Grant of options**

Options may be granted to eligible employees selected by the Board in its absolute discretion during the period of 42 days (i) from and including Admission, (ii) following the date on which the CSOP or any amendment to the CSOP is adopted, (iii) following the announcement of the Company's final or interim results for any financial period, (iv) following the occurrence of an event which the Board considers to be an exceptional event concerning the Bytes Group, (v) following any changes to legislation affecting tax-advantaged share plans (other than changes relating solely to all-employee share plans) or (vi) from an eligible employee commencing employment with the Bytes Group. If the Board is restricted by statute, order or regulation (including but not limited to, the Market Abuse Regulation) from granting options within one of these periods, the Board may grant options within 42 days of such restrictions being removed. Options may be granted on terms that their exercise will be subject to the satisfaction of objective performance criteria. Options may also be granted on terms that their exercise will be subject to the option holder paying any employer's National Insurance contributions due pursuant to the exercise. No options may be granted more than 10 years after the adoption of the CSOP.

(c) **Exercise price**

The price at which an option holder may acquire Shares on the exercise of an option shall be determined by the Board, but shall not be less than the greater of the market value of a Share at the time of grant and its nominal value.

(d) **Scheme limits**

The number of Shares over which options may be granted under the CSOP on any date shall be limited so that the total number of Shares issued and issuable pursuant to rights granted under any employee share plan operated by the Company in any 10-year period is restricted to 10 per cent. of the Company's issued Shares calculated at the relevant time.

For the purposes of these limits no account will be taken of options or rights comprised in the IPO Awards.

No option may be granted to an eligible employee under Part 1 of the CSOP which would result in the aggregate exercise prices of Shares comprised in all outstanding options granted to such employee under the CSOP when aggregated with outstanding options held under any other HMRC tax-advantaged Company Share Option Plans established by the Company exceeding the statutory limit (currently £30,000). In addition (both under Part 1 and 2), the aggregate exercise price of options granted to an individual under any discretionary share option scheme operated by the Company or any associated company in any calendar year (ignoring, where relevant, the IPO Awards) shall not exceed 150 per cent. of their relevant earnings for the year. The Board may exceed these limits if it (in its absolute discretion) considers it appropriate in order to facilitate the recruitment or retention of an eligible employee.

Part 1

(e) **Exercisability**

An option will normally only be exercisable by an option holder who is still an eligible employee of the Bytes Group after the third anniversary of its date of grant and before the tenth anniversary of its date of grant. Options will normally lapse on cessation of employment save in the circumstances set out below.

Earlier exercise is permitted if the option holder dies or leaves employment through injury, disability, redundancy or retirement or where a participant leaves employment of the Bytes Group by reason of such option holder's employing company ceasing to be a member of the Bytes Group or the sale of the undertaking in which he is employed outside the Bytes Group. Early exercise is also permitted in any other circumstances approved by the Board and in the event of a takeover, reconstruction or amalgamation, on court sanction of a scheme of arrangement, or voluntary winding-up of the Company. Where options may be exercised early, the Board shall determine the extent to which options may be exercised, taking account of the Company's performance up to that time and the period of time that has elapsed since the date of grant.

(f) **Manner of exercise**

Within 30 days of the receipt of a notice of exercise of an option, together with a payment for the aggregate exercise price and a payment for any income tax and National Insurance contributions due (or the option holder having entered into arrangements to ensure that such payment is made), the Shares in respect of which the option has been exercised must be issued by the Company or the Company must procure their transfer (which for the purposes of the CSOP includes the transfer of Shares out of treasury) to the option holder and shall issue a definitive certificate in respect of the Shares allotted or transferred or such other evidence of allotment or issue as may be prescribed by the Board where such allotment and issue is by means of a relevant system, as defined in Regulation 2(1) of the Uncertificated Securities Regulations 2001). Shares issued or transferred by the Company on the exercise of options will rank equally with existing Shares.

(g) **Exchange of options on change of control**

If any company obtains control of the Company as a result of a takeover offer or the sanctioning of a scheme of arrangement under section 899 of the Act or if a company has become bound or entitled to acquire all the Shares under sections 979 to 982 or 983 to 985 of the Act or as a result of an overseas reorganisation, an option holder may, by agreement with that other company, seek the release of their options in return for the grant of equivalent options over shares in that other company.

(h) **Variation of share capital**

In the event of a variation of the share capital of the Company (whether that variation is a capitalisation issue (other than a scrip dividend) or offer by way of rights, consolidation, subdivision or reduction or other variation of the Company's capital), the number of Shares the subject of an option and/or the exercise price may be adjusted in such manner as the Board in its absolute discretion considers to be fair and appropriate provided that the exercise price per Share remains at least equal to the nominal value of a Share and the total market value of the Shares and the total exercise price of the option is substantially the same immediately before and after the variation. If the exercise price would otherwise fall below the nominal value, the Company may capitalise reserves to the extent it is lawful to pay up additional Shares for allotment to option holders.

(i) **Amendments and general**

No rights under an option may be transferred by an option holder to any other person except in the event of an option holder's death when the rights will become exercisable by a personal representative within 12 months of the date of death. Options granted under the CSOP shall not be pensionable.

The CSOP may be amended by the Board in any way provided that:

(i) no material amendment may be made to options already granted without the consent of the option holders;

(ii) no amendment may be made without the prior approval of the Company in general meeting if it would make the terms on which the options may be granted materially more generous or increase any of the limits specified on the plan or expand the class of potential option holders or change the rights of option holders in the event of a variation of share capital (in each case) to the benefit of option holders unless they are minor amendments to benefit the administration of the plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders, the Company or a member of the Group; and

(iii) no amendment may be made to a key feature of the CSOP if, as a result, the plan would no longer meet the requirements of Schedule 4 to ITEPA.

The Board may amend the CSOP by way of separate schedules to enable it to be operated overseas.

Part 2

Part 2 of the CSOP provides for the grant of non tax-advantaged options. This enables options to be granted under the same terms as Part 1 of the CSOP but without complying with the particular requirements of the legislation applicable to tax-advantaged CSOPs. The provisions of the CSOP that do not apply under Part 2 include the £30,000 individual limit.

7.2 **The Sharesave Scheme**

The Sharesave Scheme is intended to meet the requirements of Schedule 3 to ITEPA and provides for the grant of tax-advantaged options. The Sharesave Scheme shall be administered by the Board or a committee of directors appointed by the Board to carry out any of its functions under the scheme.

(a) **Eligibility**

All employees and full-time directors of the Bytes Group, who have been in continuous service for such period of time (not exceeding five years) as may be determined by the Board prior to the relevant date of grant of an option who are liable to UK income tax, and who have not given or received notice to terminate their employment and/or office (which will have the effect that they will no longer be an employee or full-time director on the relevant date of grant of an option under the Sharesave Scheme), will be eligible to participate in the Sharesave Scheme. Participation may also be offered, at the discretion of the Board, to other directors or employees who otherwise do not satisfy all of the above criteria.

(b) **Issue of Invitations**

Invitations to participate in the Sharesave Scheme may be made during the period of 42 days (i) from and including Admission, (ii) following the date on which the Sharesave Scheme (or any amendment to the Sharesave Scheme) is adopted, (iii) following the announcement of the Company's final or interim results for any financial period, (iv) following the occurrence of an event which the Board considers to be an exceptional event concerning the Bytes Group or (v) of any changes to legislation affecting tax-advantaged share plans. If the Board is restricted by statute, order or regulation (including the Market Abuse Regulation) from granting options within one of these periods, the Board may grant options within 42 days of such restrictions being removed. No invitations may be issued or options granted more than 10 years after the adoption of the Sharesave Scheme.

(c) **Exercise price**

The price at which an option holder may acquire Shares on the exercise of an option shall be determined by the Board, but shall not be less than the greater of 80 per cent. of the market value of a Share at the time of grant and its nominal value.

(d) **Savings contract**

Upon applying for an option, the participant will be required to enter into an approved Sharesave contract with a savings institution nominated by the Company which lasts for either three or five years (or such other standard periods as may be available under HM Treasury specifications for savings arrangements). The maximum amount which an employee is permitted to contribute under Sharesave contracts is £500 per month (or such other amount specified in Schedule 3 to ITEPA to be the maximum). The Board may set lower savings limits than this for different participants by reference to objective criteria such as levels of salary or length of service. The minimum contribution is £5 per month (or such greater amount as the Board may specify, not to exceed £10 and, in both cases, subject to such other amounts as are specified by HM Treasury or in Schedule 3 ITEPA to be the minimum or maximum). The total exercise price of the Shares over which the option is granted may not exceed the aggregate of the monthly contributions and bonus payable at the end of the participant's related Sharesave contract.

(e) **Scheme limits**

The number of Shares over which options may be granted under the Sharesave Scheme on any date of grant shall be limited so that the total number of Shares issued or capable of being issued in any 10-year period under all the Company's employee share plans is restricted to 10 per cent. of the Company's issued Shares calculated at the relevant time. Any options or rights to acquire Shares comprising the IPO Awards will be excluded from this limit.

(f) **Exercisability**

Options will normally be exercisable during a period of six months following the allocation of a bonus under the related Sharesave contract and will normally lapse upon cessation of employment. Earlier exercise is, however, permitted if the participant dies or leaves employment through injury, disability, redundancy or retirement, or where a participant leaves employment of the Bytes Group by reason of his employing company ceasing to be a member of the Bytes Group, or if the undertaking in which he is employed is sold outside the Bytes Group. Early exercise will also be permitted in the event of a takeover, reconstruction or amalgamation, on court sanction of a scheme of arrangement, or voluntary winding-up of the Company.

(g) **Manner of exercise**

Within 30 days of the receipt of a notice of exercise of an option, the Shares in respect of which the option has been exercised must be issued by the Company or the Company must procure their transfer (which for the purposes of the scheme includes the transfer of Shares out of treasury) to the option holder and shall issue a definitive certificate in respect of the Shares allotted or transferred or such other evidence of allotment or issue as may be prescribed by the Board where such allotment and issue is by means of a relevant system, as defined in Regulation 2(1) of the Uncertificated Securities Regulations 2001). Shares issued or transferred by the Company on the exercise of options will rank equally with existing Shares.

(h) **Exchange of options on change of control**

If any company obtains control of the Company as a result of a takeover offer or the sanctioning of a scheme of arrangement under section 899 of the Act or if a company has become bound or entitled to acquire all the Shares under sections 979 to 982 or 983 to 985 of the Act or as a result of an overseas reorganisation, an option holder may, by agreement with that other company, seek the release of his options in return for the grant of equivalent options over.

(i) **Variation of share capital**

In the event of a variation of the share capital of the Company (whether that variation is a capitalisation issue other than a scrip dividend) or offer by way of rights, consolidation, subdivision or reduction or other variation of the Company's capital), the number of Shares subject to the option and/or the exercise price may be adjusted in such manner as the Board in its absolute discretion considers to be fair and appropriate provided that the exercise price per Share remains at least equal to the nominal value of a Share and the total market value of the Shares and the total exercise price of the option is substantially the same immediately before and after the variation. If the exercise price would otherwise fall below the nominal value, the Company may capitalise reserves to the extent it is lawful to pay up additional shares for allotment to option holders.

(j) **Amendments and general**

No rights under an option may be transferred by an option holder to any other person except in the event of an option holder's death when rights will become exercisable by the option holder's personal representative within 12 months of the date of death. Options granted under the Sharesave Scheme shall not be pensionable.

The Sharesave Scheme may be amended by the Board in any way provided that:

(i) no material amendment may be made to options already granted without the consent of the option holders;

(ii) no amendment may be made without the prior approval of the Company in general meeting if it would make the terms on which the options may be granted materially more generous or increase any of the limits specified in the plan or expand the class of potential option holders or change the rights of option holders in the event of a variation of share capital (in each case) to the benefit of option holders unless they are minor amendments to benefit the administration of the plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for option holders, the Company or a member of the Bytes Group; and

(iii) no amendment may be made to a key feature of the Sharesave Scheme if, as a result, the scheme would no longer meet the requirements of Schedule 3 to ITEPA.

There is a schedule to the Sharesave Scheme that enables the Board to modify the scheme to take account of overseas legal, taxation or securities laws.

7.3 The Performance Share Plan ("PSP")

The Board shall administer the operation of the PSP.

(a) Eligibility

Any employee, or any office holder who is also an employee within the Bytes Group may participate in the PSP ("**eligible employee**"). Participation in the PSP is at the discretion of the remuneration committee of the Company ("**Remuneration Committee**").

Awards under the PSP can be granted as options or conditional rights to acquire Shares ("**Awards**", and each, an "**Award**"). An Award may only be granted to the extent that there is no restriction on dealing in Shares imposed by any law, order, regulation, directive or rules (including, but not limited to, any regulation, order or requirement imposed by the London Stock Exchange or the Financial Conduct Authority) ("**Dealing Restriction**") and only: within the period of 42 days (i) from (and including) Admission, (ii) following the date on which the PSP or any amendment to the PSP is adopted, (iii) following the announcement of the Company's final or interim results for any financial period, (iv) following (and including) the date of commencement of an eligible employee's employment with the Bytes Group; and in any other period of 42 days from (and including) the occurrence of an event or set of circumstances which, in the opinion of the Remuneration Committee, is an exceptional event or circumstances justifying the grant of an Award. If the Company is restricted from granting Awards within any period as a result of a Dealing Restriction the Company may grant Awards within the period of 42 days beginning with the date on which such Dealing Restriction ceases to apply.

(b) Scheme Limits

The PSP may operate over newly issued Shares, Shares held in treasury or Shares purchased in the market. In any ten year period, the Company may not issue (or grant rights to issue) more than ten per cent. of the issued ordinary share capital of the Company under the PSP and any other employee share plan adopted by the Company. For the purposes of the above limits, Shares held in treasury count as newly issued Shares for so long as it is required by UK investor share incentive scheme guidelines, but Shares issued (or in respect of which rights were granted to issue) comprising the IPO Awards and any Shares where the right to acquire them has lapsed will not count towards such limits.

The maximum aggregate Market Value of Shares (calculated on the date of grant of an Award) over which Awards may be granted to any eligible employee during any financial year is 150 per cent. of their base salary on the date of grant. In exceptional circumstances (including, but not limited to) the recruitment of a new eligible employee, the Remuneration Committee may grant an Award in excess of these limits, subject to a maximum of 300 per cent. of base salary.

(c) Vesting of Awards

Awards will normally vest on a date specified by the Remuneration Committee prior to grant, or, should the Remuneration Committee not specify such a date, the third anniversary of the grant, provided that in the case of any grant of an award to an individual who is, on the date of grant, an executive director of the Company, such date may not be earlier than the third anniversary of the date of grant, unless the Award is granted on or in relation to their recruitment, and to the extent that any applicable performance conditions have been satisfied.

The Remuneration Committee will set applicable performance conditions before Awards are made. Any Awards to the Executive Directors will be subject to performance conditions set by the Remuneration Committee which may include conditions based on shareholder return, company financial performance or execution of specified aspects of strategy (including environmental or similar metrics) in such form and in such proportions as the Remuneration Committee considers appropriate at that time. Vested Shares from Executive Directors' Awards (after any sales to cover income taxes and employee NICs) will also be subject to a further two year holding period after the initial vesting of Awards.

An Award will lapse upon a participant ceasing to be an employee within the Bytes Group, unless the Remuneration Committee determines otherwise to any extent. However, if a participant ceases to be an employee by reason of ill-health, injury, disability, redundancy (as defined in the rules), the sale or transfer of his employing company or undertaking out of the Bytes Group or for any other reason, at the discretion of the Remuneration Committee, then his Award will vest on the normal vesting date (that is, the third anniversary of the grant date). Alternatively, the Remuneration Committee may decide that the Award will vest immediately on the participant ceasing employment. In all cases, vesting will still be subject to the satisfaction of the applicable performance conditions and there will also be a pro rata reduction in the number of Shares that vest to reflect the period of time that elapsed from the date of grant to the date of cessation, relative to the original vesting period, unless the Remuneration Committee acting fairly and reasonably decides that there are circumstances to justify the application of the pro rata reduction to a greater or lesser extent. Where a participant dies, the participant's Award will vest on the date of death, subject to the satisfaction of the applicable performance conditions and time pro rating as set out above.

The Remuneration Committee may determine that the number of Shares comprised in an unvested Award should be reduced, including to nil, ('malus') or that the participant may be required to repay up to the amount of cash or number of Shares received in respect of a vested Award ('clawback'), where:

(i) the Company or any Bytes Group member materially misstated its financial results for any reason and that misstatement results or resulted either directly or indirectly in an Award being granted or vesting to a greater extent than would have been the case had that misstatement not been made;

(ii) any performance condition and/or any other condition is satisfied based on an error, or on inaccurate or misleading information or assumptions which resulted either directly or indirectly in an Award being granted or vesting to a materially greater extent than would have been the case had that error not been made;

(iii) circumstances arose (or continued to arise) during the vesting period which would have warranted the summary dismissal of the Award holder; and/or

(iv) any other circumstances have arisen that in the sole opinion of the Remuneration Committee have (or would have if made public) a sufficiently significant impact on the reputation of any Bytes Group company or the business in which the holder of the Award is employed.

The period during which the Remuneration Committee will be entitled to apply the 'clawback' provisions will be determined by the Remuneration Committee at grant (and in the absence of any other determination by the Remuneration Committee shall be two years from the date of grant). The 'malus' provisions shall apply for the vesting periods of the Awards.

(d) **Consequences of Vesting**

Subject to the conditions of the PSP, on or as soon as reasonably practicable after the vesting of an Award (and by no later than 30 days after the Vesting of an Award), Remuneration Committee shall issue, transfer or procure the transfer of the relevant number of Shares to the participant (or to a nominee or other shareholding account on the participant's behalf). Subject to the conditions of the PSP upon vesting of an Award that is an option, such vested options will become exercisable in respect of vested shares and will continue to be exercisable, from the date of vesting until midnight on the day prior to the 10th anniversary of the date of grant of such Award.

In lieu of the participant's right to receive Shares, Awards may be satisfied by the making of a cash payment equal in value to the Shares in respect of which the Award vested.

Participants may receive, at the discretion of the Remuneration Committee, cash or further Shares equal in value, so far as possible, to any dividends paid or payable on the Shares in relation to which an Award vests, by reference to the record dates between the date of grant and the date of vesting.

(e) **Exchange of Awards on a change of control**

In the event any company obtains control of the Company, the Remuneration Committee may determine (with the consent of the acquiring company), that the Awards will be exchanged for equivalent Awards in respect of shares in the acquiring company or another company within the acquiring company's group. Absent such determination, all Awards will vest in the event a person (or any group of persons acting in concert) obtains control of the Company by way of a general offer, on court sanction of a scheme of arrangement, a 'squeeze out and sell out' arrangement or a voluntary winding up (each, a **"Corporate Event"**), subject to: (i) the extent to which the performance conditions have been satisfied at that time or any earlier time determined by the Remuneration Committee; and (ii) a pro rata reduction in the number of Shares that vest to reflect the reduced period of time between the grant and the Corporate Event (relative to the original vesting period), unless the Remuneration Committee acting fairly and reasonably decides that there are circumstances to justify the application of the pro rata reduction to a greater or lesser extent.

(f) **Variation of Share Capital**

In the event of any variation of the Company's share capital, including a demerger or payment of a special dividend, the Company may adjust the number and/or type of Shares in respect of which an Award is granted provided that where such variation has the effect of reducing the price at which Shares may be subscribed for on the exercise of an option to less than their nominal value, the Company may (if and to the extent that the Board is authorised):

(i) capitalise from its reserves a sum equal to the amount by which the nominal value of the Shares in respect of which the option is exercised and which are to be allotted after such exercise exceeds the price at which the Shares may be subscribed for; and

(ii) apply that sum in paying up such amount on such Shares.

(g) **Amendments and general**

The Remuneration Committee may at any time alter the PSP or the terms of any Award. No alteration to the material disadvantage of any participant's existing Awards (other than a change to any performance condition) shall be made unless: (i) the Remuneration Committee shall have invited every relevant participant to indicate whether or not they approve the alteration; and (ii) the alteration is approved by a majority of those participants who have given such an indication. The Remuneration Committee may amend, waive, or replace any performance condition if an event has occurred which causes the Remuneration Committee to consider (in its absolute discretion) that it would be appropriate to amend, waive, or replace the performance condition. However, any amended or replaced performance condition shall not, in the reasonable opinion of the Remuneration Committee, be materially more or less difficult to satisfy than what the unaltered performance condition would have been but for the event in question.

The Remuneration Committee may establish further plans based on the PSP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any Shares made available under such further plans are treated as counting against the limits on individual or overall participation in the PSP.

7.4 **The Deferred Annual Bonus Plan ("DABP")**

(a) The key terms of the rules of the DABP are in all material respects the same as the key terms of the rules of the PSP as summarised at paragraph 7.3 of this Part 15 "Additional Information", save that:

(i) Eligibility to participate is limited to any employees (or ex-employees) within the Bytes Group who have been awarded a cash bonus under any bonus arrangement operated by the Bytes Group. Eligible participants may be required or permitted (as determined by the Remuneration Committee) to defer a portion of their bonus into an award under the DABP.

(ii) Each award is granted as a nil-cost option to acquire such whole number of Shares as have a value no greater than the amount or percentage of the deferred part of the relevant participant's bonus.

(iii) The award under the DABP may be subject to performance conditions and time pro-rating but no post-vesting holding periods shall apply.

(iv) If a participant ceases to be an employee within the Bytes Group before the normal vesting date, the award will normally continue to vest (subject to the application of any performance conditions and/or pro-rating) in full on the normal vesting date (unless the Remuneration Committee decides it should vest immediately on the cessation of employment). If a participant ceases to be an employee prior to the normal vesting date in circumstances justifying dismissal without notice or dismissal without payment in lieu of notice, the award will lapse in full on the earlier of the cessation of employment or the date the participant gives or is given notice (as appropriate).

(v) If a participant dies, his award will vest on the date of death subject to any applicable performance conditions and/or pro-rating.

(vi) Awards under the DABP shall vest in full (to the extent not already vested) on a future change of control.

7.5 **Blenheim Share Scheme**

One of the Bytes Group's subsidiaries, Blenheim Group Limited (**"Blenheim"**), operates a share scheme (the **"Blenheim Share Scheme"**). Under the Blenheim Share Scheme, five senior managers employed by Phoenix have been issued a total of 1,000 B ordinary shares in Blenheim, in respect of which entitlements will crystallise prior to Admission. As a result, immediately prior to Admission, Bytes UK will acquire these B ordinary shares from the Phoenix managers for aggregate cash consideration expected to be approximately £2.4 million and the Blenheim Share Scheme shall be terminated with immediate effect.

8 **Pensions**

The Bytes Group operates a defined contribution pension scheme for employees within the Group.

9 **Underwriting Arrangements**

9.1 **Underwriting Agreement**

On 1 December 2020, the Company, Altron, Bytes SA, the Directors and Numis entered into the Underwriting Agreement. The Underwriting Agreement is conditional, upon, among other things, Admission occurring no later than 8:00 a.m. (London time) and 10.00 a.m. (Johannesburg time) on 17 December 2020 or such later date as the Company and Numis may agree in writing (being no later than the Long Stop Date).

Pursuant to the Underwriting Agreement:

(a) the Company has agreed, subject to the satisfaction or waiver (as applicable) of the conditions in the Underwriting Agreement, (including the determination of the Offer Price in accordance with the terms of the Underwriting Agreement and the pricing memorandum attached to the Underwriting Agreement), to allot and issue, at the Offer Price, the New Shares to be issued in connection with the Offer;

(b) Numis has agreed, subject to the satisfaction or waiver (as applicable) of the conditions in the Underwriting Agreement, (including the determination of the Offer Price in accordance with the terms of the Underwriting Agreement and the pricing memorandum attached to the Underwriting Agreement), to use reasonable endeavours as agent for and on behalf of the Company to procure subscribers for the New Shares or, failing which, itself to subscribe for the New Shares;

(c) subject to the conditions in the Underwriting Agreement having been satisfied or waived and the Underwriting Agreement not having been terminated in accordance with its terms prior to Admission the Company has agreed to pay Numis by no later than the second business day following 17 December 2020 (i) a base commission of 2.25 per cent. of the gross proceeds of the Offer (being an amount equal to the Offer Price multiplied by the number of New Shares) up to and including £150 million, and to the extent that the gross proceeds exceed £150 million, 2 per cent. of the excess gross proceeds (being an amount equal to the gross proceeds less £150 million, provided always that such amount shall never be less than zero), and (ii) a discretionary commission of 0.75 per cent. of the gross proceeds of the Offer (being an amount equal to the Offer Price multiplied by the number of New Shares) up to and including £150 million, and to the extent that the gross proceeds exceed £150 million, 1 per cent. of the excess gross proceeds (being an amount equal to the gross proceeds less £150 million, provided always that such amount shall never be less than zero);

(d) in addition to the commissions detailed above, the Company has agreed to pay the costs, charges, fees and expenses properly incurred by Numis in connection with the Offer, the Demerger, Admission and the Underwriting Agreement (together with any related value added tax);

(e) each of the Company, the Directors and Altron has given certain representations, warranties and undertakings, subject to certain limitations, to Numis;

(f) each of the Company and Altron has given an indemnity to Numis on customary terms; and

(g) the parties to the Underwriting Agreement have given certain covenants to each other, including regarding compliance with laws and regulations affecting the making of the Offer in relevant jurisdictions.

The Directors have made due and careful enquiry to confirm that Numis can meet its commitments in terms of the Offer.

(a) **Company lock-up arrangements**

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of Numis, issue, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

(b) **Director and Bytes UK Management lock-up arrangements**

Pursuant to the Underwriting Agreement and Lock-up Agreement, the Directors and Bytes UK Management (and certain of their immediate family members) have agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of Numis, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

(c) **Maj or Shareholder Lock-up Agreements**

Pursuant to the Major Shareholder Lock-up Agreements, each of Biltron and VCP have agreed that, subject to certain customary exceptions and, in the case of VCP, an exception for disposals made in proportion to disposals of other investments in any portfolio managed by VCP upon the withdrawal of any investment in such portfolio by any client of VCP, during the period of six months from the date of Admission, they will not, without the prior written consent of Numis, offer, sell or contract to sell, or otherwise transfer or dispose of, directly or indirectly, or announce an offer of any Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

10 Subsidiaries, investments and principal establishments

Following completion of the Demerger on Admission, the Company will be the holding company of the Bytes Group. The principal subsidiaries and subsidiary undertakings of the Company will, with effect from Admission, be as follows:

Subsidiaries and subsidiary undertakings

Name	Country of incorporation	Proportion of ownership interest (including voting power)
Bytes Technology Holdco Limited	England & Wales	100%
Bytes Technology Limited	England & Wales	100%
Bytes Software Services Limited	England & Wales	100%
Bytes Security Partnerships Limited	England & Wales	100%
Phoenix Software Limited	England & Wales	100%
License Dashboard Limited	England & Wales	100%
Blenheim Group Limited	England & Wales	100%

Principal investments

The Company currently has no principal investments (in progress or planned for the future on which the Directors have made firm commitments or otherwise) other than the subsidiaries and subsidiary undertakings listed above.

Principal establishments

The following are the principal establishments of the Group:

Name and location	Tenure
Bytes House, Randalls Way, Leatherhead, Surrey, KT22 7TW	Freehold
13th Floor, City Tower, Piccadilly Plaza, Manchester, M1 4BT	Lease
Blenheim House, York Road, Pocklington, York, YO42 1NSF	Freehold
Pacific House, Imperial Way, Reading, Berkshire, RG2 0TDL	Lease

11 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Bytes Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Bytes Group, and (b) at any time and contain provisions under which the Company or any member of the Bytes Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Bytes Group as at the date of this Prospectus:

11.1 Underwriting Agreement

The Underwriting Agreement described in paragraph 9 of this Part 15 "Additional Information – Underwriting Agreement".

11.2 Demerger SPA

On 2 November 2020, in connection with the implementation of the Demerger, the Company entered into the Demerger SPA with Altron, Bytes SA, Bytes Technology Holdco and each member of Bytes UK Management. Pursuant to the Demerger SPA, the Company agreed to acquire Bytes UK on the following terms:

(a) Bytes SA agreed to sell and transfer its A ordinary shares in Bytes UK to a subsidiary of the Company, Bytes Technology Holdco, in consideration for the issuance of the Convertible Notes to Bytes SA on the terms set out in the Convertible Notes Instrument (as described further below); and

(b) Bytes UK Management agreed to sell and transfer their respective B ordinary shares in Bytes UK to the Company, in consideration for (i) the Cash-out Amount, and (ii) a further amount to be satisfied by the issuance of the Bytes UK Management Consideration Shares.

Each member of Bytes UK Management and Bytes SA provide certain warranties and indemnities under the Demerger SPA in favour of the Company, relating to (amongst other things) the business operated by Bytes UK and title to their respective shares in Bytes UK. These warranties are subject to certain limitations on the potential liability exposure of Bytes UK Management and Bytes SA to the Company. In order to protect the goodwill associated with Bytes UK's business, Bytes SA also agreed to provide non-compete and non-solicitation undertakings in relation to members of the Altron Group for a period of two years following completion of the Demerger. Altron has agreed to procure that Bytes SA complies with its' obligations pursuant to the Demerger SPA.

The Demerger SPA also provides that, following the Demerger: (i) if certain assets, including those relating exclusively to the business carried on by Bytes UK, are held by any member of the Altron Group, or (ii) if certain liabilities, including those relating exclusively to the business carried on by the Altron Group, are held by Bytes UK or its subsidiaries, the relevant parties will transfer such assets to a member of the Bytes Group or novate such liabilities to a member of the Altron Group (as applicable).

On completion of the Demerger, the Company and Bytes Technology Holdco will hold the entire issued share capital of Bytes UK and the Company will be the new parent company of the Bytes Group.

11.3 Convertible Notes Instrument

On 3 November 2020, the Company executed the Convertible Notes Instrument in order to effect the issuance of 220,506,494 Convertible Notes. The Convertible Notes were issued in part consideration for the acquisition of Bytes UK pursuant to the terms of the Demerger SPA. Whilst the Convertible Notes were issued to Bytes SA, the Convertible Notes may be transferred to Altron Ordinary Shareholders pursuant to the Distribution.

If the Suspensive Conditions in the Demerger SPA are not satisfied or waived (as applicable) prior to 8.00 a.m. (London time) on the Long Stop Date, the Convertible Notes Instrument will automatically terminate and be of no further force and effect, and all Convertible Notes constituted by the Convertible Notes Instrument will be cancelled for no value.

Whilst the Convertible Notes will not bear interest, if the Suspensive Conditions in the Demerger SPA are fulfilled or waived prior to 8.00 a.m. (London time) on the Long Stop Date, certain of the Convertible Notes will be redeemed for cash and the balance of the Convertible Notes will automatically convert into Converted Shares on the Admission Date. Further details of the Convertible Notes Instrument, including with respect to the methodology for determining the number of Convertible Notes to be redeemed, are set out in Part 4 "Details of the Demerger".

11.4 HSBC Invoice Discounting Facility

On 19 September 2017, BSS entered into an invoice discounting facility with HSBC Invoice Finance (UK) Limited ("**HSBC**") on HSBC's standard invoice discounting terms including a discounting margin of 1.49 per cent. over the Bank of England base rate and a fixed service charge of £12,000 per annum (the "**HSBC Invoice Discounting Facility**"). In August 2020 BSS renewed the HSBC Invoice Discounting Facility for a further term of 12 months. The HSBC Invoice Discounting Facility can be terminated on three months' notice by either BSS or HSBC without penalty.

Under the HSBC Invoice Discounting Facility, BSS is able to borrow up to £20 million from HSBC, secured against the debtor book of BSS. As further security for the HSBC Invoice Discounting Facility on 26 September 2017, BSS granted HSBC a fixed charge over any of its non-vesting debts, meaning any debts that failed to vest in HSBC pursuant to the HSBC Invoice Discounting Facility's assignment provisions. As required by the HSBC Invoice Discounting Facility, the Bytes Group's customers pay into a HSBC account (the "**HSBC Account**").

BSS has never drawn upon the HSBC Invoice Discounting Facility.

Once the HSBC Facility Agreement becomes effective, the Bytes Group will no longer require the HSBC Invoice Discounting Facility. It is, however, beneficial from an operational perspective for the customers of the Bytes Group to continue to pay into the HSBC Account. In order to retain the HSBC Account HSBC have confirmed that the HSBC Invoice Discounting Facility will need to be retained with a nominal limit in the region of £50,000. The HSBC Invoice Discounting Facility will therefore be reduced down to that nominal limit on Admission.

11.5 HSBC Revolving Credit Facility

On 23 November 2020, the Company, Bytes UK and certain subsidiaries of Bytes UK entered into a 3 year senior unsecured revolving credit facility agreement the ("**HSBC Facility Agreement**") with HSBC UK Bank plc ("**HSBC plc**") pursuant to which HSBC plc will, on Admission, make available to the Group a revolving credit facility (the **"HSBC Revolving Credit Facility"**) of £50,000,000 (the **"Initial Total Commitments"**) for the first year of the facility, reducing to £40,000,000 in the second year and £30,000,000 in the third and final year. Bytes UK will be the initial borrower and a guarantor and the Company, Bytes Technology Holdco and certain subsidiaries of Bytes UK will all be guarantors under the HSBC Facility Agreement. Pursuant to the terms of the HSBC Facility Agreement the Company will pay to HSBC plc an arrangement fee equal to 0.75 per cent. of the Initial Total Commitments. If Admission does not occur then the arrangement fee will not be payable.

Under the HSBC Facility Agreement the Company must maintain (i) a total net debt to adjusted EBITDA ratio of 2.50:1 or less and (ii) an interest cover ratio of greater than 4:1, both of which are tested on a consolidated, backward looking, rolling 12-month basis by reference to the Bytes Group (assuming the Demerger has completed). Breach of either or both of such financial covenants could result in the entire outstanding balance of the HSBC Revolving Credit Facility becoming immediately due and payable.

The HSBC Revolving Credit Facility will be made available to the Company and the Bytes Group to pay certain costs related to the Demerger, for general corporate and working capital purposes of the Bytes

Group and for the payment of any fees, costs and expenses in connection with entry into the HSBC Facility Agreement and related finance documents. The interest rate on the HSBC Revolving Credit Facility will be (i) LIBOR in respect of any loan drawn in sterling and EURIBOR in respect of any loan drawn in euros; plus (ii) an additional percentage per annum (the spread) dependent upon the Company's consolidated total net debt to adjusted EBITDA ratio from time to time. It is anticipated that, on or prior to the scheduled cessation of LIBOR on 31 December 2021, the LIBOR portion of the interest rate for loans drawn in sterling will be replaced by compounded SONIA.

The initial spread will be 2.10 per cent. and based on a leveraged ratchet. Whenever an event of default is continuing, the spread can be up to 3.10 per cent. In addition, 40 per cent. of the applicable spread will be payable by the Company to HSBC plc on the unused and uncancelled amount of the HSBC Revolving Credit Facility for so long as the HSBC Revolving Credit Facility is available to the Bytes Group (i.e. from Admission). The HSBC Revolving Credit Facility will also incur additional utilisation and ticking fees.

11.6 **Lock-up Agreement**

The Lock-up Agreement described in paragraph 9 of this Part 15 "Additional Information".

11.7 **Major Shareholder Lock-up Agreements**

The Major Shareholder Lock-up Agreements described in paragraph 9 of this Part 15 "Additional Information".

12 **UK Taxation**

The comments set out in this paragraph 12 are based on current United Kingdom tax law and what is understood to be HM Revenue & Customs published practice (which may not be binding on HM Revenue & Customs) as at the date of this document, both of which are subject to change, possibly with retrospective effect. Comments in this paragraph 12 are intended as a general guide and (save in the case of paragraph 12.3 or insofar as express reference is made to the treatment of non-UK residents) generally apply only to Shareholders resident and, in the case of an individual, domiciled for tax purposes in the United Kingdom and to whom “split year” treatment does not apply, who hold their Shares as an investment and who are, or are treated as, the absolute beneficial owners thereof and any dividends paid on them. The discussion does not address all possible tax consequences relating to an investment in the Shares. For the avoidance of doubt, this paragraph 12 does not address the tax consequences of the Demerger.

Certain categories of Shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefiting from certain reliefs or exemptions, those who hold their Shares in an individual savings account or pension arrangement, those connected with the Company or the Bytes Group and those for whom the Shares are employment related securities may be subject to special rules and this summary does not apply to such Shareholders.

The statements in this paragraph 12 summarise the current position and are intended as a general guide only. Shareholders or prospective Shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately. In particular, Shareholders should be aware that the tax legislation of any jurisdiction where a Shareholder is resident or otherwise subject to taxation may also have an impact on the tax consequences of an investment in the Shares, including in respect of any income received from the Shares.

12.1 **Taxation of dividends**

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder. No tax credit attaches to any dividend paid by the Company.

(a) **UK resident individual Shareholders**

Dividends received by a UK resident individual Shareholder from the Company will generally be subject to tax as dividend income. Under current UK tax rules specific rates of tax apply to dividend income.

An amount (the "**Dividend Allowance**", which is £2,000 for the tax year ending 5 April 2021) of dividend income received by a UK resident individual Shareholder in a tax year (taking into account dividends received from the Company and any other dividend income received by a Shareholder) will be taxed at a nil rate (such that no income tax will be payable in respect of such amounts).

If and to the extent that (taking into account dividends received from the Company and any other dividend income received by a Shareholder) the dividend income received by a UK resident individual Shareholder in a tax year exceeds the Dividend Allowance (the amount of such excess being referred to as the "**Taxable Amount**"), the Taxable Amount will be subject to income tax at the rates determined by the tax rate band or bands that it falls within.

If and to the extent that the Taxable Amount falls at or below the basic rate limit, the Shareholder will be subject to income tax on it at the dividend basic rate of 7.5 per cent. If and to the extent that the Taxable Amount falls above the basic rate limit but at or below the higher rate limit, the Shareholder will be subject to income tax on it at the dividend higher rate of 32.5 per cent. If and to the extent that the Taxable Amount falls within the additional rate band, the Shareholder will be subject to income tax on it at the dividend additional rate of 38.1 per cent.

For the purposes of determining which of the taxable bands dividend income falls into, the Shareholder's total income (including from dividends and other sources) is taken into account and dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the Dividend Allowance which would (if there was no Dividend Allowance) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

(b) **UK resident corporate Shareholders**

Shareholders within the charge to UK corporation tax will be subject to corporation tax on dividends paid by the Company, unless (subject to special rules for Shareholders that are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009) the dividend falls within one of the exempt classes set out in Part 9A and certain other conditions are met. Each Shareholder's position will depend on its own individual circumstances, and the exemptions are not comprehensive and are subject to anti-avoidance rules, though it would normally be expected that the dividends paid by the Company would fall within an exempt class. Shareholders that are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 should also be entitled to an exemption under Chapter 2 of Part 9A of the Corporation Tax Act 2009 provided that the distribution satisfies the conditions in that legislation.

(c) **Non-UK resident Shareholders**

A non-UK resident Shareholder will generally not be liable to pay any UK tax on dividends paid by the Company. A Shareholder resident outside the UK may be subject to non-UK taxation on dividend income under local law. Any such Shareholder should consult his or her own tax adviser concerning his or her tax position on dividends received from the Company.

12.2 **Taxation of disposals**

(a) **UK resident individual Shareholders**

A disposal of Shares by a UK resident individual Shareholder may, depending upon the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. In the case of individual Shareholders, an annual tax-free allowance (the "**Annual Exempt Amount**", which is £12,300 for the tax year ended 5 April 2021) is available. Any chargeable gain arising from a disposal of Shares which is in excess of the Annual Exempt Amount and which, when aggregated with that Shareholder's taxable income for the relevant tax year, falls within the basic rate band will be subject to capital gains tax at a rate of 10 per cent. Any amount of such gains which, when aggregated with that Shareholder's taxable income for the relevant tax year, exceeds the basic rate band will be taxed at a rate of 20 per cent.

(b) **UK resident corporate Shareholders**

For a UK resident corporate Shareholder, a disposal of Shares may give rise to a chargeable gain that is subject to UK corporation tax (currently at a rate of 19 per cent.) or an allowable loss for the purposes of UK corporation tax.

(c) **Non-UK resident Shareholders**

Shareholders who are not resident in the United Kingdom will not generally be subject to UK taxation of capital gains on the disposal of Shares unless they are carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate

Shareholder, a permanent establishment) in connection with which the Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who has been resident for tax purposes in the United Kingdom but who ceases to be so resident or becomes treated as non-resident pursuant to a relevant double tax treaty for a period of five complete tax years or less and who disposes of all or part of his or her Shares during that period of non-residence may be liable to capital gains tax in respect of such disposal on his or her return to the UK (such that the individual Shareholder becomes UK tax resident), subject to any available exemptions or reliefs.

12.3 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

The statements in this section are intended as a general guide to the current United Kingdom stamp duty and SDRT position and apply regardless of whether or not a Shareholder is resident, domiciled or deemed domiciled in the United Kingdom. Shareholders should note that certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986. Special rules apply to agreements made by, among others, intermediaries, and such rules are not covered by this summary.

(a) **Issue**

The issue of Shares will not give rise to stamp duty or SDRT. In the case of shares issued to a clearance service or depositary receipt system, this is as a result of case law which has been accepted by HM Revenue & Customs (subject to the comments set out in paragraph (d) below)

(b) **Subsequent transfers outside of CREST, depositary receipt systems and clearance services**

Stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given (or in certain cases the market value of the Shares) is generally payable on an instrument transferring Shares.

A charge to SDRT will normally arise on an agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date on which the agreement is made (or, if the agreement is conditional, becomes unconditional) an instrument of transfer is executed pursuant to the agreement, and such instrument is duly stamped or certain other conditions are met, any SDRT already paid will be refunded provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

This paragraph (b) is subject to paragraph (e) below.

(c) **Shares transferred to and within CREST**

Paperless transfers of Shares within CREST are generally liable to SDRT rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. No stamp duty or SDRT will generally arise on a transfer of Shares into the CREST system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise.

This paragraph (c) is subject to paragraph (e) below.

(d) **Shares issued or transferred to, or transferred within, clearance services or depositary receipt systems (other than Shares which are registered on the South African branch register and issued or transferred to, or transferred within, Strate)**

Subject to the sub-paragraphs below, where Shares are issued or transferred to, or to a nominee or agent for, a person whose business is or includes either issuing depositary receipts or the provision of a clearance service, SDRT or stamp duty may be charged at a rate of 1.5 per cent of the amount or value of the consideration given or, in certain circumstances, the value of the shares. Other than where a clearance service has made an election under s.97A(1) of the Finance Act 1986 (to which the rules described in the following sub-paragraph apply), no stamp duty or SDRT is generally payable in respect of paperless transfers within clearance services or depositary receipt systems.

Where a clearance service has made and maintains an election under s.97A(1) of the Finance Act 1986 which has been approved by HM Revenue & Customs, there is an exception from the 1.5

per cent. charge on the issue or transfer to, or to a nominee or agent for, a clearance service. In these circumstances, stamp duty or SDRT at the rate of 0.5 per cent of the amount or value of the consideration payable for the transfer will arise on any transfer of Shares into a clearance service and on subsequent transfers of Shares within the clearance service.

HMRC accept that the 1.5 per cent. charge outlined above is in breach of EU law so far as it applies to new issues of shares or transfers that are an integral part of a share issue, and it was confirmed in the Autumn 2017 Budget that the Government intend to continue this approach following Brexit. HMRC's published view is that the 1.5 per cent. SDRT or stamp duty charge continues to apply to other transfers of shares into a clearance service or depositary receipt arrangement.

Any liability for SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service or system, which does arise will usually be a liability of the clearance service or depositary receipt system operator, as the case may be, but, in practice, the relevant stamp duty or SDRT liability will be payable by the participants in the clearance service or depositary receipt system. This paragraph (d) is subject to paragraph (e) below.

(e) **Transfers of Shares on the South African branch share register and issues or transfers of Shares on the South African branch register to, or transfers of Shares on the South African branch register within, Strate**

Pursuant to a specific exemption for shares registered on an overseas branch register, United Kingdom stamp duty will not be payable on the transfer of Shares which are registered on the South African branch share register, provided that no instrument of transfer is executed in the United Kingdom in respect of the transfer. A consequence of this stamp duty exemption is that SDRT at the rate of 0.5 per cent. should also not be payable on an agreement to transfer Shares which are registered on the South African branch register. This exemption does not extend to the 1.5 per cent. SDRT charge where such securities are issued or transferred to a depositary receipt system or clearance service, subject to the comments below in relation to the transfer of shares into Strate.

The Company understands that, as a result of arrangements agreed between HM Revenue & Customs and Strate:

(i) issues or transfers into Strate of shares in United Kingdom companies which are listed on the JSE and registered on a South African branch share register will not be subject to United Kingdom stamp duty or SDRT at the higher rate of 1.5 per cent.; and

(ii) transfers of such shares within Strate should not be subject to United Kingdom stamp duty or SDRT. This confirmation will be relevant to the issue or transfer of Shares into Strate and transfers of Shares within Strate.

(f) **Transfers of Shares between the United Kingdom share register and the South African branch share register**

Subject to the commentary above in relation to the 1.5 per cent. charge, no United Kingdom stamp duty or SDRT should arise on the transfer of Shares between the United Kingdom share register and the South African branch share register provided that: (i) there is no change in beneficial ownership of the Shares; and (ii) in the case of stamp duty only, the transfer is not a conveyance in contemplation of a sale of Shares.

12.4 **Inheritance Tax**

(a) **Shares not registered on the South African branch share register**

Shares which are not registered on the South African branch share register but which are registered on the main share register in the United Kingdom ("**UK Registered Shares**") should be assets situated in the United Kingdom for the purposes of United Kingdom inheritance tax.

A gift of UK Registered Shares by, or a transfer on the death of, an individual holder of such shares may (subject to certain exceptions and reliefs) give rise to a liability to United Kingdom inheritance tax, even if the holder is neither domiciled in the United Kingdom nor deemed to be domiciled there. Generally, United Kingdom inheritance tax is not chargeable on gifts to other individuals if the transfer is made more than seven years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift in respect of the undervalue element and particular rules apply to gifts where the donor reserves or retains some benefit in respect of the asset gifted. Special rules also apply to close companies and to trustees of settlements who acquire, dispose of or hold UK Registered Shares, potentially bringing them within the charge to inheritance tax. Holders of UK Registered Shares should consult an appropriate professional adviser if they intend to make a gift of, transfer at less than full market value, or hold any UK Registered Shares through such a company or trust arrangement.

(b) **Shares registered on the South African branch register**

Shares which are registered on the South African branch share register ("**SA Registered Branch Shares**") should be assets situated outside the United Kingdom for the purposes of inheritance tax.

A gift of SA Registered Branch Shares by, or a transfer on the death of, an individual holder of such shares who is domiciled or is deemed to be domiciled in the United Kingdom (for example under certain rules relating to long residence or previous domicile) may (subject to certain exemptions and reliefs) give rise to a liability to United Kingdom inheritance tax. As discussed above, generally, United Kingdom inheritance tax is not chargeable on gifts to other individuals if the transfer is made more than seven years prior to the death of the donor. For inheritance tax purposes, a transfer of assets less than full market value may be treated as a gift in respect of the undervalue element and particular rules apply to gifts where the donor reserves or retains some benefit in respect of the asset gifted. Where a Shareholder is neither domiciled nor deemed domiciled (under certain rules relating to long residence or previous domicile) in the United Kingdom, neither a gift of the SA Registered Branch Shares by the holder nor the death of such holder should give rise to a liability to United Kingdom inheritance tax. Special rules also apply to close companies and to trustees of settlements who acquire, dispose of or hold SA Registered Branch Shares, potentially bringing them within the charge to inheritance tax. Holders of SA Registered Branch Shares should consult an appropriate professional adviser if they intend to make a gift of, transfer at less than full market value, or hold any SA Registered Branch Shares through such a company or trust arrangement.

(c) **Double Taxation**

If a charge to tax of a similar character to United Kingdom inheritance tax (in other words, tax that is chargeable by reference to death or gifts inter vivos) arises in another company in respect of the Shares in connection with the same event that gives rise to a charge to United Kingdom inheritance tax, relief may be available under the terms of a double tax agreement or unilateral United Kingdom double tax relief provisions.

Holders of Shares should seek professional advice where there is potential for a double charge to United Kingdom inheritance tax and an equivalent tax in another country or if they are in doubt about their United Kingdom inheritance tax position.

13 Certain US federal income tax considerations

The following discussion is a general summary based on present law of certain US federal income tax considerations relevant to the acquisition, ownership and disposition of Shares. This discussion addresses only US Holders (as defined below) that purchase Shares in the Offer, will hold Shares as capital assets and use the US dollar as their functional currency. This discussion does not address the tax treatment of persons subject to special rules, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, dealers, traders in securities that elect to mark-to-market, tax-exempt entities, persons owning directly, indirectly or constructively 10 per cent. or more of the Company's share capital (by vote or value), US expatriates, persons liable for alternative minimum tax, persons holding Shares as part of a hedge, straddle, conversion, constructive sale or other integrated financial transaction or persons holding Shares in connection with a permanent establishment or fixed base outside the United States. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors (including consequences under the alternative minimum tax), and does not address US federal taxes other than income tax (e.g., estate and gift taxes), US state and local, or non-US tax considerations.

As used in this section, "US Holder" means a beneficial owner of Shares that is, for US federal income tax purposes (i) a citizen or individual resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organised under the laws of the United States or its political subdivisions, (iii) a trust that (a) is subject to the control of one or more US persons and the primary supervision of a US court or (b) has a valid election in effect to be treated as a US person or (iv) an estate the income of which is subject to US federal income tax without regard to its source.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Shares generally will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their own tax advisors regarding the specific US federal income tax consequences to them and their partners of the partnership's acquisition, ownership and disposition of Shares.

The Company believes that it was not classified as a passive foreign investment company, or PFIC, for US federal income tax purposes for its most recent taxable year and, based on the composition of Company's current gross assets and income (including the income and assets of the Group) and the manner in which the Company expects the Group to operate its business in future years, the Company believes that it should not be classified as a PFIC for US federal income tax purposes for the Company's current taxable year or in the foreseeable future. In general, a non-US corporation is a PFIC for any taxable year in which, taking into account a pro rata portion of the income and assets of 25 per cent. or more owned subsidiaries, either (i) at least 75 per cent. of its gross income is passive income or (ii) at least 50 per cent. of the average value of its assets is attributable to assets that produce or are held to produce passive income. For this purpose, passive income generally includes, among other things, interest, dividends, rents, royalties and gains from the disposition of investment assets (subject to various exceptions) and property that produces passive income. Based on the manner in which the Group currently operates its business, the Company believes it does not realize sufficient amounts of interest income or other passive income or hold sufficient amounts of loans or other debt instruments or other passive assets that it would be treated as a PFIC under either of these tests.

Moreover, the Company's assets include goodwill (as measured by the market price of the Shares), which the Company believes would generally not be expected to be considered a passive asset. Whether the Company is a PFIC is a factual determination made annually, however, and the Company's status could change depending upon, among other things, changes in the composition and relative value of its gross receipts and assets, including as a result of a change in its business model (which is not anticipated), and as a result of changes in the value of its goodwill, as measured by the market price of the Shares. Thus, there can be no assurance that the Company will not become a PFIC in any future taxable year. The remainder of the discussion herein assumes that the Company will not become a PFIC.

13.1 Dividends

Distributions on the Shares will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits (as determined under US federal income tax principles). Because the Company does not maintain calculations of its earnings and profits under US federal income tax principles, financial intermediaries through which distributions are paid generally will be required to report distributions to US Holders as dividends. Accordingly, distributions on the Shares generally should be included in a US Holder's gross income as ordinary dividend income from foreign sources upon receipt. Dividends will not be eligible for the dividends-received deduction generally available to US corporations. If the Company qualifies for benefits under the United States-United Kingdom tax treaty (the "**Treaty**"), dividends on the Shares generally will qualify for the reduced rates applicable to qualified dividend income of certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements. Assuming that Shares are traded in sufficient quantity on the London Stock Exchange, the Company believes it will qualify for benefits under the Treaty.

Dividends paid in a currency other than US dollars (a "**non-US currency**") will be includable in income in a US dollar amount based on the exchange rate in effect on the date of receipt whether or not the non-US currency is converted into US dollars or otherwise disposed of at that time. If dividends received in a non-US currency are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income. A US Holder's tax basis in the non-US currency will equal the US dollar amount included in income. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

13.2 Sale or other Disposition

A US Holder generally will recognise capital gain or loss on the sale or other disposition of Shares in an amount equal to the difference, if any, between the US Holder's adjusted tax basis in the Shares and the US dollar value of the amount realised from the sale or other disposition.

A US Holder's adjusted tax basis in the Shares generally will be the US dollar value of the purchase price paid in the Offer. Any gain or loss generally will be treated as arising from US sources and will be long-term capital gain or loss if the US Holder's holding period exceeds one year. Deductions for capital losses are subject to limitations. A loss may nonetheless be a long-term capital loss regardless of a US Holder's actual holding period to the extent the US Holder has received qualified dividends eligible for reduced rates of tax prior to a sale or other disposition of its Shares that exceeded 10 per cent. of such US Holder's basis in the Shares.

A US Holder that receives non-US currency on the sale or other disposition of Shares will realise an amount equal to the US dollar value of the non-US currency received at the spot rate on the date of sale or other disposition (or, in the case of cash basis and electing accrual basis US Holders, the settlement date). An accrual basis US Holder that does not elect to determine the amount realised using the spot rate on the settlement date will recognise foreign currency gain or loss equal to the difference between the US dollar value of the amount received based on the spot exchange rates in effect on the date of sale or other disposition and the settlement date. A US Holder will have a tax basis in the non-US currency received equal to the US dollar value of the non-US currency received at the spot rate on the settlement date. Any gain or loss realised on a subsequent disposition or conversion of the non-US currency for a different US dollar amount generally will be US source ordinary income or loss.

13.3 Medicare Tax on Net Investment Income

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8 per cent. surtax tax on their "net investment income" (which generally includes, among other things, dividends on, and capital gain from the sale or other disposition of, Shares). Non-corporate US Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of Shares.

13.4 Information Reporting and Backup Withholding

Dividends on the Shares and proceeds from the sale or other disposition of Shares may be reported to the US Internal Revenue Service ("**IRS**") unless the US Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding may apply to reportable payments unless the US Holder makes the required certification, including providing its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against a US Holder's US federal income tax liability or refunded to the extent it exceeds the US Holder's liability, provided the required information is timely furnished to the IRS.

Certain US Holders are required to report information with respect to Shares not held through an account with a US financial institution to the IRS. US Holders who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors about these and any other reporting obligations arising from their investment in Shares.

13.5 Information with Respect to Financial Assets

Owners of "specified foreign financial assets" with an aggregate value in excess of $50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-US persons, (ii) financial instruments and contracts held for investment that have non-US issuers or counterparties, and (iii) interests in foreign entities.

13.6 Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("**FATCA**") rules generally impose reporting and withholding with respect to certain US source payments (including dividends and interest). The FATCA rules also provide that a "foreign financial institution" (which could include an intermediary holding Shares or through which payments on the Shares are made) may be required to withhold on "foreign passthru payments" to persons that fail to meet certain certification, reporting, or related requirements, even if such payments are non-US source. However, under current proposed regulations, such withholding will not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published. However, significant aspects of whether or how FATCA will apply to non-US issuers like the Company remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments on the Shares in the future. If withholding under FATCA applies to payments on the Shares, neither the Company nor any other person will make additional payments in respect of amounts withheld.

Shareholders and prospective investors should consult their own tax advisers regarding the potential impact of FATCA on an investment in the Shares.

14 Certain South African tax considerations

The following is a summary of the material South African income tax consequences, in relation to the acquisition, ownership and disposal of Shares for a Shareholder that (except insofar as express reference is made to the treatment of non-South African residents) is a South African resident for tax purposes, or a company which is not a South African resident for tax purposes with a permanent establishment in South Africa that holds Shares as capital assets, not as trading stock.

The discussion does not address all possible tax consequences relating to an investment in the Shares. These paragraphs are based on South African income tax law and practice in force as at the date of this document, which are subject to change occasioned by future legislative amendments and court decisions, including changes that could have a retrospective effect. The summary is intended only as a general guide and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Shareholder. Accordingly, investors should satisfy themselves as to the overall tax consequences in their own particular circumstances by consulting their own tax advisers.

14.1 Income tax

(a) **Normal tax**

The Company is a foreign company as defined in section 1 of the Income Tax Act No. 58 of 1962 (the "**Income Tax Act**"). A foreign dividend means an amount that is paid or payable by a foreign company in respect of a share in that company, where that amount is treated as a dividend or similar payment by that foreign company for the purposes of the laws relating to tax on income on companies of the country in which that foreign company has its place of effective management (which for the purposes of this summary is deemed to be the UK).

The Company will be a dual-listed foreign company (that is a company listed on the JSE as well as a recognised foreign exchange, i.e. the London Stock Exchange) for the purposes of the Income Tax Act. In terms of Section 10B(2)(d) of the Income Tax Act, foreign dividends (excluding such dividends that consist of a distribution of an asset in specie) from the Company will typically be exempt from income tax in the hands of tax residents of South Africa.

In terms of section 10B(2)(e), foreign dividends from the Company that constitute a distribution of an asset in specie will be exempt in the hands of South African tax resident companies. Where the Shareholder is any person other than a South African tax resident company (for example, an individual or trust), a portion (determined in terms of a formula contained in section 10B(3) of the Income Tax Act) of the market value of the distribution in specie would be included in the income of the Shareholder.

Shareholders who are not South African residents for tax purposes should not be subject to South African income tax in respect of such foreign dividends on the basis that these dividends arise from a source outside South Africa.

(b) **Dividends tax**

For purposes of determining a Shareholder's liability for dividends tax, the definition of a dividend in section 64D of the Income Tax Act, includes a foreign dividend declared by a foreign company listed on the JSE, provided that the foreign dividend does not constitute the distribution of an asset in specie. Thus a foreign dividend declared by a company listed on the JSE, will not attract dividends tax if it constitutes the distribution of an asset in specie.

In terms of section 64D of the Income Tax Act, a cash foreign dividend declared by the Company will fall within the definition of a dividend for dividends tax purposes. Such foreign dividends will attract dividends tax calculated at the rate of 20 per cent. of the amount of any foreign dividends paid or becoming due and payable. In terms of section 64F of the Income Tax Act certain foreign dividends are exempt from dividends tax. These include foreign dividends declared to South African resident companies, provided that the Shareholder in question has made the necessary declaration and undertaking prior to the dividend having been paid or becoming due and payable.

No South African dividends tax at 20 per cent. will be withheld on any foreign cash dividends declared and paid by the Company to Non-South African tax resident Shareholders holding Shares listed on the JSE as a specific exemption is applicable in terms of the Income Tax Act.

(c) **Taxation of capital gains**

On a disposal of the Shares, a capital gain or loss will arise, equal to the difference between the disposal proceeds and the base cost of the Shares. Such capital gain or loss will be aggregated with all other capital gains or losses derived by the Shareholder in the same tax year and will be reduced by the natural person's annual exclusion of R40,000 (R300,000 in the year of death). For natural persons, special trusts and individual policyholder funds the inclusion rate is 40 per cent. of the capital gain resulting in a maximum effective tax rate of 18 per cent. For companies, ordinary trusts and other taxable insurance portfolios the inclusion rate is 80 per cent. of the capital gain resulting in an effective tax rate of 36 per cent. for ordinary trusts and 22.4 per cent. for companies. Any assessed capital loss will be carried forward for set off against future capital gains.

Shareholders are advised to consult their tax advisers if they are in any doubt as to their tax position.

14.2 **Securities Transfer Tax ("STT")**

Shares registered on the South African branch share register

(a) **Issue of Shares**

No STT will arise on the issue of the Shares by the Company.

(b) **Transfer of Shares**

For purposes of the Securities Transfer Tax Act No. 25 of 2007 (the "STT Act"), STT arises on the transfer of a share in a company which is not a South African resident for tax purposes, which is listed on the JSE (including any reallocation of securities from a member's bank restricted stock account or a member's unrestricted and security stock account to a member's general restricted stock account).

Thus, a transfer of the Shares listed on the JSE will typically give rise to STT at the rate of 0.25 per cent. of the "taxable amount" generally being the consideration payable for the Shares. STT only arises to the extent that a transfer results in a change in beneficial ownership.

The liability to pay STT in relation to the transfer of a share listed on the JSE rests with:

(i) a member (defined as an "authorised user" in section 1 of the FMA) if the listed security is purchased through the agency of, or from such member;

(ii) the participant (defined as a person authorised by the central securities depository to hold in custody and administer the listed security), where the listed security is purchased from the participant and the STT has not been settled by a member referred to under paragraph (i) above; or

(iii) the purchaser (if no STT was payable under paragraph (i) or (ii) above).

The STT Act contains a number of specific exemptions from STT.

14.3 **Donations tax**

Donations tax is payable on the value of any property disposed of under any donation made by any South African tax resident. A donation means any gratuitous disposal of property, including any gratuitous waiver or renunciation of a right, and is deemed to include the disposal of an asset to the extent that the consideration is inadequate. Exemptions from donations tax include donations between spouses, donations made in contemplation of death and an annual exemption of R100,000 for individuals.

Donations tax is payable at a rate of 20 per cent. on the value of aggregate donations not exceeding R30 million and 25 per cent. of the aggregate donations exceeding R30 million.

14.4 **Estate Duty**

Inheritance tax in South Africa is referred to as estate duty. Estate duty will be levied on the worldwide assets of any person who is ordinarily resident in South Africa at the date of his or her death. Estate duty will also be levied on any person who is not ordinarily resident in South Africa at the date of his or her death in respect of any assets situated in South Africa or rights which are enforceable in South Africa.

Various allowable deductions are permitted to determine the net value of the estate, including the value of all property that accrues to a surviving spouse of the deceased. After deducting a primary abatement of R3.5 million, estate duty is levied at a rate of 20 per cent. on the first R30 million of the dutiable amount of an estate and 25 per cent. on the amount exceeding R30 million. Any foreign death duties proved to have been paid in respect of property situated outside South Africa and included in the estate of any person who at the date of death was ordinarily resident in South Africa may be deducted from the estate duty payable.

The Shares will be included in the estate of any person who is ordinarily resident in South Africa at the date of death on the basis that any transfer of ownership in such Shares is required to be registered in South Africa.

Estate duty is subject to the provisions of any applicable double taxation agreement in relation to estate duty, and South Africa has entered into such agreements with, inter alia, the United Kingdom.

15 Enforcement and civil liabilities under US federal securities laws

The Company is a public limited company incorporated under English law. Many of the Directors are citizens of the United Kingdom (or other non-US jurisdictions), and a portion of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the US courts judgements obtained in US courts predicated upon the civil liability provisions of the US federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgements of the US courts, of civil liabilities predicated upon US federal securities laws.

16 Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on the Company's and/or the Bytes Group's financial position or profitability.

17 Related party transactions

Other than (i) the Demerger SPA entered into by the Executive Directors and (ii) as described in Bytes UK's audited consolidated financial information set out in Section B of Part 11 "Financial Information of Bytes UK", there are no related party transactions between the Company or members of the Bytes Group that were entered into during the financial years ended 28 February 2018, 28 February 2019 and 29 February 2020, during the six month period from 1 March 2020 to 31 August 2020 or since 31 August 2020, being the date to which the historical financial information in Part 11 "Financial Information of Bytes UK" was prepared.

18 Working capital

In the opinion of the Company, taking into account the facilities available to the Group, the working capital available to the Bytes Group is sufficient for the Bytes Group's present requirements, that is for at least the next 12 months following the date of this Prospectus.

19 No significant change

On 22 September 2020, Bytes UK declared a dividend of £30.0 million, which was paid to the holder of its A ordinary shares, Bytes SA, on 28 September 2020 (the **"Dividend"**). Save for the payment of the Dividend, there has been no significant change in the financial position or financial performance of the Bytes Group since 31 August 2020, being the date to which the historical financial information in Part 11 "Financial Information of Bytes UK" was prepared.

On 15 October 2020, the Company issued 50,000 redeemable preference shares. Save for the issue of these preference shares, there has been no significant change in the financial position or financial performance of the Company since 7 October 2020, being the date to which the historical financial information in Part 12 "Financial Information of the Company" was prepared.

20 Material intercompany balances and other transactions

20.1 *Material intercompany balances*

Lending entity	Borrowing entity	Loan amount as at 31 August 2020	Secured/ unsecured	Details of terms and conditions of	Interest Rate

		(£'000)		repayment or renewal	
Bytes Software Services Limited	Bytes Technology Limited	35,232	Unsecured	Repayable on demand	Interest free

20.2 ***Other material intercompany transactions***

	6-month period ended 31 August 2020 £'000
Phoenix Software Limited paid dividends to Bytes Technology Limited	10,000
Bytes Security Partnerships Limited paid dividends to Bytes Technology Limited	5,706
Bytes Software Services Limited paid dividends to Bytes Technology Limited	6,600

21 Implications of a secondary listing of the Company on the JSE

In terms of the JSE Listings Requirements, secondary listing status on the JSE means that the Company will only be required to comply with the listings requirements of the exchange where it has a primary listing, being the London Stock Exchange, save in respect of the following provisions of the JSE Listings Requirements, which must be complied with by the Company:

21.1 the annual financial statements of the Company and any other communication with Shareholders must state where the primary and secondary listings of the Shares are;

21.2 when the Company wishes to release any information on another exchange, it must ensure that such information is also released on SENS and that such release takes place no later than the equivalent release on any other exchange provided that, if the JSE is not open for business, it must ensure that such information is released through SENS at the commencement of business on the next South African business day. The announcement must be submitted via the Company's JSE Sponsor, albeit that the announcement does not require the approval of the JSE Sponsor;

21.3 the Company must publish, in its interim and year-end results, headline earnings per Share and diluted headline earnings per Share together with an itemised reconciliation between headline earnings and the earnings used in the calculation;

21.4 the Company's interim and year-end results must be prepared and published in compliance with the acceptable accounting frameworks of the exchange where it has its primary listing, being the London Stock Exchange;

21.5 the Company is required to advise, and obtain approval from, the JSE with regard to the timetables for corporate actions stipulated in the relevant corporate action timetable. The Company must ensure that the JSE is notified in advance in order to ensure that the JSE can accommodate the processing of these corporate actions for Shareholders on the South African share register;

21.6 where there are any notifications dealing with (i) changes of beneficial ownership in the Company or (ii) dealings in securities in the Company by the Directors and those closely related to the Directors as may be prescribed by local legislation, the listings requirements of the exchange where it has its primary listing or otherwise, such changes and dealings must be announced within 48 hours after receipt of such notice or such notice being made available, through SENS;

21.7 the Company must advise the JSE in writing each time that its listing status changes and must also inform its Shareholders by releasing an announcement over SENS.

22 Auditors

The auditors of the Company are Ernst & Young LLP, registered auditors, who were appointed on 26 November 2020. The first period for which Ernst & Young LLP will issue a statutory audit report in respect of the Company is expected to be for the year ended 28 February 2021. Ernst & Young LLP is registered to perform audit work by the Institute of Chartered Accountants in England and Wales and has its registered office at 1 More London Place, London, SE1 2AF. The statutory auditors of Bytes UK for the years ended 29 February 2020 and 28 February 2019 were PricewaterhouseCoopers LLP, registered auditors. The statutory auditors of Bytes UK for the year ended 28 February 2018 were BDO LLP, registered auditors.

23 **Non-statutory accounts**

The financial information contained in this Prospectus does not amount to statutory accounts within the meaning of section 434(3) of the Act. Audited accounts have been delivered to the Registrars of Companies for Bytes UK for the years ended 28 February 2018, 28 February 2019 and 29 February 2020.

24 **Consents**

Ernst & Young LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn, its written consent to the inclusion of its accountant's reports set out in Section A of Part 11 "Financial Information of Bytes UK", Section A of Part 12 "Financial Information of the Company" and Section A of Part 13 "Pro Forma Financial Information" and has authorised the contents of these reports as part of this Prospectus for the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) and item 1.3 of Annex 1 of Commission Delegated Regulation (EU) 2019/980.

25 **General**

25.1 The Company has not incurred any preliminary expenses (within the meaning of the JSE Listings Requirements) over the last three financial years.

25.2 The fees and expenses to be borne by the Company in connection with Admission, including the FCA's and JSE's fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £14.0 million (including UK VAT where applicable). A breakdown of the estimation is included below:

	(£'000)
Sole Sponsor, Financial Adviser, Sole Global Co-Ordinator and Sole Bookrunner - Numis Securities Limited (1)	8,848
Auditors and Reporting Accountants - Ernst & Young LLP	1,404
English and US Legal Advisers to the Company- Travers Smith LLP	1,200
English and US Legal Advisers to the Sole Sponsor, Financial Adviser, Sole Global Co-Ordinator and Sole Bookrunner - Ashurst LLP	840
HSBC Facility Agreement commitment and legal fees	405
FCA document inspection fees and LSE listing fees	391
One-off resource costs	177
Additional accounting advice - BDO LLP	166
JSE listing and document inspection fees	79
Financial PR Advisers to the Company - Headland Consultancy	45
South African Legal Advisers to the Sole Sponsor, Financial Adviser, Sole Global Co-Ordinator and Sole Bookrunner - Edward Nathan Sonnenbergs Incorporated	44
South African Legal Advisers to the Company - DLA Piper Advisory Services Proprietary Limited	20
Other expenses(2)	352

Note:

(1) Assuming the Base Offer Size Assumptions and the Offer Price is set at the mid-point of the Price Range and Numis' discretionary fee is paid in full.

(2) Other expenses include dataroom, printing, marketing, insurance, market data and consultancy.

26 **Sponsor independence**

Rand Merchant Bank, a division of FirstRand Bank Limited, fulfils the functions of JSE transaction sponsor to the Company. It is Rand Merchant Bank's opinion that there are no matters that might reasonably be expected to impair its independence and objectivity in its professional dealings with the Company or in relations matters contemplated in this Prospectus.

27 **Documents available for inspection**

Copies of the following documents may be inspected during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following the date of this

Prospectus at the offices of the Company and for a period of 14 days following the date of the Prospectus at the offices of the JSE Sponsor, and where marked with an asterisk (*), also at the Company's website at www.bytesplc.com (subject to certain restrictions):

(a) *the Articles of the Company;

(b) *the consolidated financial information of Bytes UK in respect of the financial years ended 28 February 2018, 28 February 2019 and 29 February 2020, and the six months ended 31 August 2019 and 31 August 2020, together with the related report from Ernst & Young LLP which is set out in Part 11 "Financial Information of Bytes UK";

(c) *the financial information of the Company, together with the related report from Ernst & Young LLP which is set out in Part 12 "Financial Information of the Company";

(d) *the unaudited pro forma financial statements information of the Company together with related report from Ernst & Young LLP which is set out in Part 13 "Pro Forma Financial Information";

(e) *this Prospectus;

(f) the consent letter referred to in "Consent" in paragraph 24 of this Part 15;

(g) the agreements set out in paragraph 11 of this Part 15;

(h) copies of the Directors' service agreements referred to in paragraph 6 of this Part 15; and

(i) the rules of the employee share plans referred to in paragraph 7 of this Part 15.

Dated: 1 December 2020

PART 16 - DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

"Act"	the Companies Act 2006, as amended
"Additional New Shares"	has the meaning given to that term in paragraph 4.14 of Part 5 "Details of the Demerger"
"Admission"	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market and on the Main Board of the JSE by way of a secondary inward listing
"Admission Date"	the date of Admission, which is expected to be 17 December 2020
"Adobe"	Adobe, Inc
"Altron"	Allied Electronics Corporation Limited, a public company duly incorporated and registered in accordance with the laws of South Africa and listed on the Main Board of the JSE in the information and communications technology sector of the list with registration number 1947/024583/06
"Altron Board"	the board of directors of Altron, as constituted from time to time, and as at the date of this Prospectus comprising of Stewart van Graan, Berenice Francis, Grant Gelink, Mike Leeming, Mteto Nyati, Cedric Miller, Anthony Ball, Brett Dawson, Phumla Mnganga, Sam Sithole and Robert Venter,
"Altron EGM"	the extraordinary general meeting of Altron Shareholders held on 1 December 2020 to consider, and if deemed fit, pass the Demerger Resolutions
"Altron Circular"	the shareholder circular published by Altron and sent to the Altron Shareholders on 3 November 2020 relating to the Demerger
"Altron Finance"	Altron Finance Proprietary Limited, a private limited liability company incorporated under the laws of South Africa with registration number 1969/014983/07, in which Altron has a 100 per cent. shareholding, a member of the Altron Group, and the registered holder of 32,287,468 Altron Ordinary Shares equating to approximately 8 per cent. of all the Altron Ordinary Shares
"Altron Group"	Altron and its subsidiaries and subsidiary undertakings from time to time, including, until implementation of the Disposal, Bytes UK and its subsidiaries and subsidiary undertakings
“Altron High Voting Share”	the single non-participating, high voting share in the issued share capital of Altron
“Altron High Voting Shareholder”	the registered holder of the Altron High Voting Share, being the Venter Family
"Altron Independent Board"	the independent committee of the Altron Board, established by the Altron Board for the purposes of the South African Companies Act in relation to the Disposal and Distribution (as affected transactions) and for the purposes of considering and, if deemed fit, approving and taking the necessary steps to implement the Disposal and Distribution
"Altron's Lenders"	The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division), Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division), Investec Bank Limited, Absa Bank Limited (acting through its Corporate and Investment Banking division), FirstRand

	Bank Limited (acting through its Rand Merchant Bank division) and any other lenders in terms of the Common Terms Agreement
“Altron Ordinary Shareholder”	a registered holder of Altron Ordinary Shares
“Altron Ordinary Shares”	no par value A ordinary shares in the issued share capital of Altron
“Altron Register”	the register of issued securities of Altron established and maintained in terms of section 50(1) of the South African Companies Act
"Altron Shareholders"	Altron Ordinary Shareholders and the Altron High Voting Shareholder
"Altron Transfer Secretary"	Computershare Investor Services Proprietary Limited, a private company duly incorporated and registered in accordance with the laws of South Africa with registration number 2004/003647/07, being the transfer secretary to Altron
"Altron TMT"	Altron TMT Holdings Proprietary Limited, a private limited liability company incorporated under the laws of South Africa with registration number 1946/020415/07, and a member of the Altron Group, in which Altron Finance has a 100 per cent. shareholding
“Appraisal Rights”	the rights afforded to Altron Shareholders in terms of section 164 of the South African Companies Act
"Articles"	the articles of association of the Company
"Authorised Dealer Manual"	the Currencies and Exchanges Manual for Authorised Dealers
"Authorised Dealers"	the South African banks and South African branches of foreign banks appointed to act as authorised dealers (as defined by the Excon Rules) in foreign exchange
"Base Offer Size Assumptions"	that Coronation, Biltron and VCP elect to redeem for cash 25 per cent., 25 per cent. and 80 per cent., respectively, of their respective Convertible Notes, such elections are satisfied, the Default Ratio for Redemption and Conversion of the Convertible Notes held by the remaining Altron Ordinary Shareholders (other than Altron Finance) is 25 per cent. as to Redemption and 75 per cent. as to Conversion and no other Altron Ordinary Shareholder elects to redeem greater than 25 per cent. of its Convertible Notes
"Biltron"	Biltron (Pty) Ltd
"Board" or "Board of Directors"	the board of directors of the Company, as constituted from time to time, and as at the date of this Prospectus comprising those persons whose names are set out in Part 7 "Directors, Senior Management and Corporate Governance"
"Broker"	any person registered as a “broking member (equities)” in accordance with the provisions of the FMA.
"BSS" or "Bytes Software Services"	Bytes Software Services Limited, a private limited company incorporated under the laws of England and Wales with registered number 01616977, in which Bytes UK has a 100 per cent. shareholding
"Bytes Group"	Bytes UK and its subsidiary undertakings or, in the event of and following the Demerger, the Company and its subsidiary undertakings, including Bytes UK
"Bytes SA"	Bytes Technology Group Proprietary Limited, a private limited liability company incorporated under the laws of South Africa with registration number 1911/003874/

	07, in which Altron TMT has a 100 per cent. indirect shareholding
"Bytes Technology Holdco"	Bytes Technology Holdco Limited, a private limited company incorporated under the laws of England and Wales with registered number 12525335, in which the Company has a 100 per cent. shareholding
"Bytes UK"	Bytes Technology Limited (formerly known as Bytes Technology Group Limited), a private limited company incorporated in England and Wales with registered number 03643194, in which Bytes SA owns 10,000 A ordinary shares and Bytes UK Management owns 1,000 B ordinary shares in Bytes UK
“Bytes UK Management”	Neil Murphy, Keith Richardson, David Rawle, John Gilbertson, Jack Watson and Richard Horowicz
“Bytes UK Management Consideration Shares”	Shares equal to 5 per cent. of the issued share capital of the Company at Admission (as enlarged by the issue of such shares) to be issued by the Company to Bytes UK Management on the Admission Date under the terms of the Demerger SPA in part consideration for their B ordinary shares in Bytes UK
"Cash-out Amount"	an amount of £14.3 million
"Category 1 Resolution"	has the meaning given to that term in Part 5 "Details of the Demerger"
“Category 1 Transaction”	a transaction which is categorised as Category 1 in terms of paragraph 9.5 of the JSE Listings Requirements
“Certificate”	the single certificate in respect of all the Convertible Notes to be issued by the Company to Bytes SA
“Certificated Shareholders”	Altron Ordinary Shareholders whose Altron Ordinary Shares have not been Dematerialised into the system operated by Strate, title to which is represented by share certificates or other physical documents of title
"Check Point"	Check Point Software Technologies, Ltd
"CIPC"	the South African Companies and Intellectual Property Commission
"Cisco"	Cisco Systems, Inc.
"Citrix"	Citrix Systems, Inc.
"City Code"	the City Code on Takeovers and Mergers
"cloud" or "cloud computing"	shared, remotely accessible IT solutions
"Common Monetary Area"	the monetary union consisting of South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland
"Common Terms Agreement"	the common terms agreement entered into between, amongst others, Altron, Bytes UK and Nedbank Limited (as facility agent) dated 28 February 2019
"Company" or "Bytes"	Bytes Technology Group plc, a public limited company incorporated under the laws of England and Wales with registered number 12935776, in which Neil Murphy and Keith Richardson (the Chief Executive Officer and Chief Financial Officer respectively of the Company) each own 1 Share and 25,000 preference shares of £1.00 each
"Compliance	a compliance certificate issued by the TRP in terms of paragraph 102(13) of the

Certificate"	Companies Regulations; 2011, issued in terms of section 223 of the South African Companies Act
"Computershare Nominees"	Computershare Nominees Proprietary Limited, a private limited liability company incorporated under the laws of South Africa with registration number 1999/008543/07
“Conversion”	the automatic conversion into Converted Shares of all Convertible Notes which are not redeemed for cash pursuant to the Redemption
"Conversion Rate"	the prevailing mid-market rate of exchange for conversion from Pound sterling to Rand on the date of payment by the Escrow Bank of the Redemption Proceeds to the Altron Transfer Secretary
"Converted Shares"	New Shares to be issued by the Company on the Admission Date upon Conversion
"Convertible Notes"	220,506,494 convertible unsecured loan notes issued by the Company to Bytes SA as consideration for its A ordinary shares in Bytes UK
"Convertible Notes Instrument"	the loan note instrument executed by the Company on 3 November 2020 in respect of the Convertible Notes
"Coronation"	Coronation Asset Management (Pty) Ltd
"CrowdStrike"	CrowdStrike Holdings, Inc.
"CREST"	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
"CSDP"	a central securities depositary participant, a participant as defined in section 1 of the FMA
"CSP"	the Microsoft Cloud Solutions Provider programme
"Declaration Date"	the date on which Altron declared the Distribution, subject to the conditions that the Demerger Resolutions are duly passed and the TRP issues a Compliance Certificate in respect of the Distribution, which was 20 November 2020
“Default Ratio”	assuming there is demand in the Offer for New Shares equal to 36.8 per cent. of the enlarged share capital of the Company at Admission, 25 per cent. as to Redemption: 75 per cent. as to Conversion, and adjusted, if necessary, in terms of paragraph 4.15 of Part 5 "Details of the Demerger"
"Dell"	Dell, Inc.
"Dematerialised"	the process whereby securities held by Certificated Shareholders are converted or held in an electronic form as uncertificated securities and recorded in a sub-register of security holders maintained by a CSDP or Broker.
“Dematerialised Shareholders”	Altron Ordinary Shareholders who hold Dematerialised Shares
"Dematerialised Shares"	Altron Ordinary Shares which have been incorporated into the system operated by Strate, title to which is no longer represented by physical documents of title
"Demerger"	the proposed demerger of the Bytes Group from the Altron Group pursuant to the Demerger SPA including the composite, inter-conditional, indivisible transaction consisting of the Distribution, the Offer, Admission, the Disposal, the Redemption and the Conversion

“Demerger Resolutions”	the Category 1 Resolution, the Disposal Resolution and the Distribution Resolution
"Demerger SPA"	the share purchase agreement entered into between the Company, Bytes SA, Altron, Bytes UK Management, Bytes Technology Holdco and Bytes UK dated 2 November 2020
"Demerger Stamp Duty"	the stamp duty payable on the transfer of the shares in Bytes UK to the Company and Bytes Technology Holdco under the Demerger SPA, as reasonably determined by the Company
"Directors"	the directors of the Company from time to time and as at the date of this Prospectus, comprising the Executive Directors and the Non-Executive Directors, further details of whom are set out in Part 7 "Directors, Senior Management and Corporate Governance"
“Disposal”	the sale and transfer by Bytes SA of the A ordinary shares it owns in Bytes UK to Bytes Technology Holdco and the sale and transfer by Bytes UK Management of their B ordinary shares in Bytes UK to the Company pursuant to the terms of the Demerger SPA
"Disposal Resolution"	has the meaning given to that term in paragraph 6.2 of Part 5 "Details of the Demerger"
"Distributed Convertible Notes"	has the meaning given to that term in paragraph 2.6 of Part 5 "Details of the Demerger"
“Distribution”	the distribution *in specie* by Altron of 91 per cent. of the Convertible Notes to Altron Ordinary Shareholders pursuant to section 46 of the South African Companies Act which was declared on the Declaration Date, subject to the condition that the Demerger Resolutions are duly passed and the TRP issues a Compliance Certificate in respect of the Distribution
"Distribution Resolution"	has the meaning given to that term in paragraph 6.3 of Part 5 "Details of the Demerger"
"Dividend"	has the meaning given to it in paragraph 19 of Part 15 "Additional Information"
"EEA"	the European Economic Area
“Entitlement Ratio”	0.5 Convertible Notes for every 1 Altron Ordinary Share held on the Record Date
"Escrow Bank"	Firstrand Bank Limited, London Branch
"EU"	the European Union
"Exchange Control Regulations"	the South African Exchange Control Regulations, 1961 issued under the South African Currency and Exchanges Act, 1933, as amended (including any applicable directive and rulings of FinSurv and the South African National Treasury)
"Excon Rules"	the Exchange Control Regulations, Authorised Dealer Manual and circulars and directives issued by FinSurv from time to time
"Executive Directors"	the executive directors of the Company, being Neil Murphy and Keith Richardson
"existing customers"	customers which the Bytes Group has previously transacted with

"**Existing Shares"**	the existing ordinary shares of £0.01 each in the capital of the Company in issue immediately prior to Admission
"FAIS Act"	the South African Financial Advisory and Intermediary Services Act, 37 of 2002 (and amendments thereto)
"FCA"	the Financial Conduct Authority
"FinSurv"	the Financial Surveillance Department of SARB, which is responsible for the administration of exchange control on behalf of the South African Minister of Finance or an officer of the South African National Treasury on the authority of the South African Minister of Finance
"FMA"	the South African Financial Markets Act, No. 19 of 2012 (and amendments thereto)
"FY10"	the financial year ended 28 February 2010
"FY18"	the financial year ended 28 February 2018
"FY19"	the financial year ended 28 February 2019
"FY20"	the financial year ended 29 February 2020
"FY21"	the financial year ending 28 February 2021
"FY22"	the financial year ending 28 February 2022
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Gartner"	Gartner, Inc.
"GDPR"	the General Data Protection Regulation 2016/679
"HMRC"	HM Revenue and Customs
"HP"	The Hewlett-Packard Company
"HSBC Facility Agreement"	has the meaning given to it in paragraph 11.5 of Part 15 "Additional Information"
"HSBC Invoice Discounting Facility"	has the meaning given to it in paragraph 11.4 of Part 15 "Additional Information"
"HSBC Revolving Credit Facility"	has the meaning given to it in paragraph 11.5 of Part 15 "Additional Information"
"IBM"	International Business Machines Corporation
"ICT"	information and communications technology
"IFRS"	International Financial Reporting Standards as issued by the IASB, as adopted by the European Union
“Independent Expert”	KPMG Services Proprietary Limited, a limited liability private company incorporated in accordance with the laws of South Africa under registration number 1999/012876/07, appointed as independent expert by the Altron Board to prepare and deliver the Independent Expert’s Report
“Independent Expert’s Report”	the report prepared or to be prepared by the Independent Expert in respect of the Disposal and the Distribution in accordance with regulations 90 and 110 of the

	South African Companies Regulations, 2011, issued in terms of section 223 of the South African Companies Act
"IPO Expenses"	the costs and commissions of the Offer (assuming the payment of Numis' base and discretionary commissions in full)
"IT channel"	the method by which the Bytes Group's products are made available to its resellers
"JSE"	as the context requires, either (a) JSE Limited (registration number 2005/022939/06), a limited liability public company incorporated in accordance with the laws of South Africa and licensed as an exchange under the FMA, or (b) the securities exchange operated by the aforementioned company
"JSE Admission"	the admission of the Shares to listing and trading as a secondary listing on the Main Board of the JSE
"JSE Listings Requirements"	the listings requirements of the JSE as amended from time to time
"JSE Sponsor"	Rand Merchant Bank, a division of FirstRand Bank Limited
"LEI"	legal entity identifier
"License Dashboard"	License Dashboard Limited, a private limited company incorporated under the laws of England and Wales with registered number 06599902
"Listing Rules"	the listing rules of the FCA made under section 74(4) of the FSMA
"Lock-up Agreement"	the lock-up agreement entered into on 1 December 2020 between the Company and Bytes UK Management (other than the Executive Directors) as described in paragraph 9 of Part 15 "Additional Information"
"London Stock Exchange"	London Stock Exchange plc
“Long Stop Date”	31 December 2020
"Main Board"	the JSE's main board for listed securities
"Main Market"	the London Stock Exchange's main market for listed securities
"Major Shareholder Lock-up Agreements"	the lock-up agreements entered into on 1 December 2020 by the Company and each of Biltron and VCP as described in paragraph 9 of Part 15 "Additional Information"
"Market Abuse Regulation"	Market Abuse Regulation (EU) No 596/2014
"Maximum Offer Size Assumptions"	that Coronation, Biltron and VCP elect to redeem for cash 25 per cent., 35 per cent. and 100 per cent., respectively, of their respective Convertible Notes, the remaining Altron Ordinary Shareholders (other than Altron Finance) elect to redeem for cash 100 per cent. of their Convertible Notes and all such elections are satisfied
"Member State"	a member state of the European Union
"Microsoft"	Microsoft Corporation
"Microsoft Certified	a sales team member who has passed Microsoft's certified professional exam

Professional"	
"Microsoft DTA"	the digital transformation arrangement entered into between Microsoft and Crown Commercial Services in 2018
"Mimecast"	Mimecast Limited
"Minimum Offer Price"	£1.89 per Share, or such higher price per Share as the Altron Board may determine and notify to the Company in writing by not later than the publication of the Prospectus
"New Share Offer Size"	the number of New Shares to be sold pursuant to the Offer, to be set out in the Pricing Statement
"New Share Offer Size Range"	the range within which the New Share Offer Size is currently expected to be set being between 59,064,035 New Shares and 230,756,765 New Shares
"New Shares"	new Shares to be issued by the Company at the Offer Price pursuant to the Offer
"Non-Executive Directors"	the non-executive directors of the Company being Patrick De Smedt, David Maw, Mike Phillips and Alison Vincent
"Numis"	Numis Securities Limited
"Offer"	the offer of New Shares to institutional investors in the United Kingdom and elsewhere at the Offer Price as described in Part 14 "The Offer"
"Offer Price"	the price at which each New Share is to be issued pursuant to the Offer, which shall not be less than the Minimum Offer Price
"Order"	the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (and amendments thereto)
"Official List"	the Official List of the FCA
"Oracle"	Oracle Corporation
“Ordinary Resolution”	a resolution adopted with the support of more than 50 per cent. of the voting rights exercised on that resolution, as defined in the South African Companies Act
"Palo Alto"	Palo Alto Networks, Inc.
"PCAOB"	the US Public Company Accounting Oversight Board
"Phoenix"	Phoenix Software Limited, a private limited company incorporated under the laws of England and Wales with registered number 02548628, in which Bytes UK has a 100% shareholding
"PLC Nominees"	PLC Nominees Proprietary Limited, a private limited liability company incorporated under the laws of South Africa with registration number 1989/002235/07
"pounds sterling", "£", "sterling", pence, "p" or "GBP"	the lawful currency of the United Kingdom
"Price Range"	the range within which the Offer Price is currently expected to be set, being between 240.0 and 290.0 pence per New Share
"Pricing Memorandum"	the pricing memorandum to be executed by the Company and Numis immediately prior to the announcement of the Offer Price pursuant to which Numis agrees, severally, to procure subscribers and purchasers for, or failing which to subscribe

fore and/or purchase itself, its relevant proportion of the New Shares to be issued, sold and transferred under the Offer as set out therein, in each case at the Offer Price.

"Pricing Statement"	the pricing statement to be published on or about 11 December 2020 by the Company detailing the Offer Price and the number of Shares which are the subject of the Offer
"Prospectus"	this document
"Prospectus Regulation"	the Prospectus Regulation (EU) 2017/1129 (and amendments thereto)
"Prospectus Rules"	the prospectus regulation rules published by the FCA under section 73 A of FSMA
"QIB Notification Time"	12:00 (SA time) on the Record Date for the Distribution, being the time and date before which the Required Notice Recipient must have received a US Investor Letter
"qualified institutional buyer" or "QIB"	"qualified institutional buyer" as defined in Rule 144A
"Qualified Investors"	persons who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation
"R", "Rand" or "ZAR"	the lawful currency of South Africa
"Record Date"	the date on which an Altron Shareholder must appear on the Altron Register in order to participate in the Distribution
"Record Date for the Altron EGM"	23 November 2020, being the date on which an Altron Shareholder must appear on the Altron Register in order to attend, participate in, and vote at the Altron EGM
"Record Date for the Distribution"	the date on which an Altron Ordinary Shareholder must appear on the Altron Register in order to participate in the Distribution, which date is expected to be 9 December 2020
"Redemption"	(a) the redemption of 100 per cent. of the Convertible Notes held by Altron as nominee for Restricted Altron Shareholders and Altron Finance; (b) the redemption of 100 per cent. of the aggregated fractional entitlements to Convertible Notes arising on the Distribution held by Altron as nominee for Altron Ordinary Shareholders; (c) the redemption of Convertible Notes to be retained by Altron to finance the withholding tax payable on the Distribution; (d) the redemption, in the Default Ratio, of the Convertible Notes held by Altron as nominee for Altron Ordinary Shareholders (other than Restricted Altron Shareholders and Altron Finance); and (e) to the extent that Altron Ordinary Shareholders (other than Restricted Altron Shareholders and Altron Finance) elect to redeem a greater percentage than the Default Ratio of the Convertible Notes held for them by Altron as their nominee, the redemption of that additional percentage of their Convertible Notes, provided that if such elections cannot be fully satisfied through investor demand to subscribe for Additional Shares in the Offer, excess allocations among Altron Ordinary Shareholders who have made such elections will be reduced proportionately
"Redemption	the aggregate cash proceeds of the Redemption, in sterling, equal to the number

Proceeds"	of Convertible Notes redeemed multiplied by the Offer Price which proceeds will be converted into Rand at the Conversion Rate
"Redemption Proportion"	the proportion of the Convertible Notes which are redeemed pursuant to the Redemption, which shall be that proportion of the Convertible Notes for which there are matching subscriptions for New Shares in the Offer (excluding New Shares to be issued to finance the expenses and commissions of the Offer and the stamp duty payable on the transfer of Bytes UK shares pursuant to the Demerger SPA)
"Registrars"	Computershare Investor Services PLC of The Pavillions, Bridgwater Road, Bristol BS13 8AE
"Registration Document"	the Registration Document published by the Company on 2 November 2020
"Regulation S"	Regulation S under the US Securities Act
"Required Notice Recipient"	in the case of (i) Dematerialised Shareholders, the relevant CSDP, Broker, custodian or nominee, with a copy to the Altron Transfer Secretary; and (ii) Certificated Shareholders, the Altron Transfer Secretary
“Restricted Altron Shareholders”	Altron Ordinary Shareholders resident in, or which have a registered address in, the United States (and who are not QIBs that have provided a signed US Investor Letter), Canada, Australia or Japan
"Rule 144A"	Rule 144A under the US Securities Act
"SaaS"	software as-a-service
"SARB"	the South African Reserve Bank
"SARS"	the South African Revenue Service
"Senior Management"	the Executive Directors, Sam Mudd and Paul Emms, further details of whom are set out in Part 7 "Directors, Senior Management and Corporate Governance"
"SENS"	the Stock Exchange News Service of the JSE
"Shareholders"	the holders of Shares in the capital of the Company
"Shares"	the ordinary shares of £0.01 each in the capital of the Company
"SMB"	a small-to-medium sized business with fewer than 1,000 employees
"Snow"	Snow Software Limited
"Sophos"	Sophos Group plc
"South Africa"	the Republic of South Africa
"South African Companies Act"	the South African Companies Act No. 71 of 2008
"South African Companies Regulation"	the regulations promulgated in terms of section 223 of the Companies Act, published under Government Notice R351 in Government Gazette 34239 of 26 April 2011, as amended
"South African Qualifying Investors"	persons falling within the exemptions set out in section 96(1)(a) or section 96(1)(b) of the South African Companies Act, to whom the Offer is specifically addressed and by whom the Offer is capable of acceptance
"South African	Computershare Investor Services Proprietary Limited, a private company duly

Transfer Secretaries"	incorporated and registered in accordance with the laws of South Africa with registration number 2004/003647/07, being the transfer secretaries to Altron
“Special Resolution”	a resolution adopted with the support of at least 75 per cent. of the voting rights exercised on that resolution, as defined in the South African Companies Act
"Specified Security Documents"	each of the following documents, including any amendments, supplements or variations thereto: (i) the common terms agreement entered into between, amongst others, Altron, Bytes UK and Nedbank Limited (as facility agent) dated 28 February 2019; and (ii) the subordination agreement entered into between, amongst others, Altron, Bytes UK and Nedbank Limited (as facility agent) dated 28 February 2019
"Sole Sponsor, Financial Adviser, Sole Global Co-Ordinator and Sole Bookrunner"	Numis
"Strate"	Strate Proprietary Limited, a private company incorporated under the laws of South Africa with registration number 1998/022242/07 and a registered central securities depository in terms of the FMA, which is responsible for the electronic settlement system used for the settlement of securities trades on the JSE
“Suspensive Conditions”	the suspensive conditions to the Demerger set out in paragraph 7 of Part 5 "Details of the Demerger"
"TRP"	the Takeover Regulation Panel established in terms of section 196 of the South African Companies Act
"UK Corporate Governance Code"	the UK Corporate Governance Code published by the Financial Reporting Council in July 2018, as amended from time to time
"Underwriting Agreement"	the underwriting agreement entered into on 1 December 2020 between Altron, the Company, the Directors and Numis, as described in paragraph 11 of Part 15 "Additional Information"
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
"US$" or "USD"	the lawful currency of the United States
"US GAAP"	generally accepted accounting principles in the United States
"US GAAS"	auditing standards generally accepted in the United States
"US Investor Letter"	an investor letter in the form set out in the Altron Circular to be executed and delivered to the Required Notice Recipient before the QIB Notification Time by Altron Ordinary Shareholders located in the US that are QIBs that want to receive Converted Shares
"US Securities Act"	United States Securities Act of 1933, as amended
"VAR"	value added reseller

"VAT"	value added tax
"VCP"	Value Capital Partners
"Veritas"	Veritas Technologies LLC
"VMWare"	VMWare, Inc

APPENDIX 1 - SCHEDULE OF CHANGES

The Registration Document contained the information required to be included in a registration document for equity securities by Annex 1 of Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation (the "Delegated Prospectus Regulation"). The Prospectus, which otherwise contains information extracted without material amendment from the Registration Document (except as set out below), also includes information required to be included in a securities note for equity securities as prescribed by Annex 11 of the Delegated Prospectus Regulation and summary information for equity securities as prescribed by Article 7 of the Prospectus Regulation. The Prospectus updates and replaces in whole the Registration Document. Any investor participating in the Offer should invest solely on the basis of the Prospectus, together with any supplement thereto. This schedule of changes to the Registration Document (the "Schedule of Changes") sets out, refers to, or highlights material updates to the Registration Document. Capitalised terms contained in this Schedule of Changes shall have the meanings given to such terms in the Prospectus unless otherwise defined herein.

Purpose

The purpose of this Schedule of Changes is to:

(a) highlight material changes made in the Prospectus, as compared with the Registration Document;

(b) highlight the new disclosure made in the Prospectus to reflect information required to be included in a securities note; and

(c) highlight the new disclosure made in the Prospectus to reflect information required to be included in a summary.

1 **Registration Document Changes**

1.1 The information contained in the sections "Directors, Proposed Directors, Secretary, Registered and Head Office and Advisers" on page 22, "Directors, Proposed Directors, Senior Management and Corporate Governance" on pages 54 to 56 and "Directors and Senior Management" on pages 150 to 152 of the Registration Document has been amended to reflect that the Proposed Directors (as defined in the Registration Document) are now Directors of the Company. Please see page 33, pages 68 to 71 and pages 191 to 194 of the Prospectus.

1.2 Changes have been made to the section entitled "Details of the Demerger" on pages 23 to 30 of the Registration Document, to reflect events in relation to the Demerger that have occurred since the publication of the Registration Document. Please see pages 37 to 44 of the Prospectus.

1.3 The information under the heading "Corporate governance" on page 55 of the Registration Document has been amended and replaced in its entirety in the Prospectus to reflect the Company's implementation of changes to its corporate governance arrangements appropriate for a listed company. Please see pages 69 and 70 of the Prospectus.

1.4 The information under the heading "Board committees" on page 56 of the Registration Document has been amended and replaced in its entirety in the Prospectus to reflect the Company's expected committees following Admission. Please see pages 70 to 71 of the Prospectus.

1.5 A new paragraph entitled "Share Dealing Code" has been added to the Prospectus, describing the Company's adoption of a code of securities dealings on Admission. Please see page 71 of the Prospectus.

1.6 A new paragraph entitled "Conflicts of interest" has been added to the Prospectus, in relation to conflicts of interest between any duties owed by the Directors or Senior Management to the Company. Please see page 71 of the Prospectus.

1.7 Changes have been made to paragraphs 1.5, 21(b), 24 and 26 of the section entitled "Financial Information of the Company" on pages 87 to 128 of the Registration Document in relation to the going concern of the Group and the HSBC Revolving Credit Facility. Please see pages 103 to 143 of the Prospectus.

1.8 Changes have been made to the paragraph entitled "Overview of the Bytes Group" on page 31 of the Registration Document and the paragraph entitled "Overview" on page 60 of the Registration Document to reflect the Bytes Group's Glassdoor ranking as at 12 October 2020. Please see pages 45 and 75 of the Prospectus.

1.9 Changes have been made to the definition of the LTM figures on pages 33 and 62 of the Registration Document, to explain how they have been calculated. Please see pages 47 and 77 of the Prospectus.

1.10 Changes have been made to the paragraph entitled "Sales Organisation, Recruitment and Training" on page 50 of the Registration Document and the paragraph entitled "Sales team development and retention'" on page 64 of the Registration Document to reflect changes to the number of sales team members the Bytes Group has hired in FY20 and thus far in FY21. Please see pages 63 and 79 of the Prospectus.

1.11 Changes have been made to the paragraph entitled "Services offering" on page 46 of the Registration Document, to reflect that BSS and Phoenix expect to be awarded Microsoft Azure Expert Managed Services Provider status in FY21 rather than the 2020 calendar year. Please see page 60 of the Prospectus.

1.12 Changes have been made to the paragraph entitled "Environmental, social and corporate governance" on page 49 of the Registration Document. Please see page 63 of the Prospectus.

1.13 Changes have been made to the paragraph entitled "Dividend Policy" on page 53 of the Registration Document. Please see page 67 of the Prospectus.

1.14 Changes have been made to the paragraph entitled "Current trading and prospects" on page 66 of Registration Document. Please see page 81 of the Prospectus.

1.15 Changes have been made to the paragraph entitled "Non-Executive Directors" on page 150 of the Registration Document to reflect that David Maw no longer participates in the Bytes Group's pension scheme. Please see page 192 of the Prospectus.

1.16 Changes have been made to the paragraph entitled "Share-based incentive arrangements" on page 153 of the Registration Document to reflect that around 200 people will be offered IPO Awards. See page 194 of the Prospectus.

1.17 A new paragraph entitled "Blenheim Share Scheme" has been added to the Prospectus in relation to Blenheim Group Limited's share scheme which will be terminated prior to Admission. Please see page 202 of the Prospectus.

1.18 Changes have been made to the paragraph entitled "Material Contracts" on pages 160 to 161 of the Registration Document, including the addition of the following new material contracts: (i) the Underwriting Agreement; (ii) the HSBC Facility Agreement; (iii) the Lock-up Agreement; and (iv) the Major Shareholder Lock-up Agreements. Please see pages 205 to 206 of the Prospectus.

1.19 Changes have been to the paragraph entitled "HSBC Invoice Discounting Facility" on page 161 of the Registration Document, to reflect the changes that will be made to the HSBC Invoice Discounting Facility prior to Admission. Please see page 205 of the Prospectus.

1.20 Changes have been made to the paragraph entitled "Auditors" on page 162 of the Registration Document, to reflect the Bytes Group's current and historic auditors. Please see page 216 of the Prospectus.

2 **Securities Note Information**

2.1 A new section entitled "Risks relating to the Offer and the Shares" has been added to the Prospectus to describe the risks relating to the Offer and the Shares including there being no existing market for the Shares; fluctuation in the market price of the Shares; non-payment of dividends; the dilution of the holdings of Shareholders and the depression of the price of Shares; changes in tax legislation which could affect the returns provided to Shareholders; difficulty for Shareholders in effecting service of process on the Bytes Group or Directors in the US, enforcing US judgments in the UK or enforcing US securities laws in UK courts; foreign currency rate risk; the unavailability of pre-emption rights for US, South African and other non-UK holders of Shares; risk in relation to exchange control regulation in South Africa; and that payment of dividends to South African Shareholders must comply with the exchange control regulations. Please see pages 20 to 23 of the Prospectus.

2.2 New sections entitled "Expected Timetable of Principal Events and Offer Statistics" and "The Offer" have been added to the Prospectus, describing the means through which the Shares will be offered pursuant to the Offer. Please see pages 35 to 36 and pages 166 to 178 of the Prospectus.

2.3 A new section entitled "Capitalisation and Indebtedness" has been added to the Prospectus, describing the capitalisation and indebtedness of the Company as at 31 August 2020. Please see page 93 of the Prospectus.

2.4 A new section entitled "Pro Forma Financial Information" has been added to the Prospectus. Please see pages 158 to 165 of the Prospectus.

2.5 A new paragraph entitled "Mandatory bids relating to ordinary shares" has been added to the Prospectus, describing certain provisions under City Code as applicable to the Company. Please see pages 188 to 189 of the Prospectus.

2.6 A new paragraph entitled "Directors' and Senior Management's interests" has been added to the Prospectus setting out the interests of the Directors and Senior Management immediately prior to and immediately following the Offer. Please see pages 189 to 191 of the Prospectus.

2.7 A new paragraph entitled "Underwriting Arrangements" has been added to the Prospectus detailing the terms of the Underwriting Agreement. Please see pages 202 to 203 of the Prospectus.

2.8 New paragraphs entitled "UK Taxation", "Certain US federal income tax considerations", and "Certain South African tax considerations" have been added to the Prospectus to provide a general guide to certain UK, US and South African tax considerations relevant to the acquisition, ownership and disposition of Shares. Please see pages 206 to 215 of the Prospectus.

2.9 A new paragraph entitled "Working Capital" has been added to the Prospectus, in relation to the Bytes Group's working capital. Please see page 215 of the Prospectus.

2.10 A new paragraph entitled "Material intercompany balances and other transactions" has been added to the Prospectus, in relation to the Bytes Group's material intercompany financial and other transactions. Please see page 215 to 216 of the Prospectus.

2.11 New paragraphs entitled "Implications of a secondary listing of the Company on the JSE" and "Sponsor Independence" have been added to the Prospectus, in relation to secondary listing of the Company on the JSE. Please see page 216 and page 217 of the Prospectus.

2.12 A new paragraph entitled "General" has been added to the Prospectus, setting out the costs and expenses of the Offer and Admission. Please see page 217 of the Prospectus.

3 **Summary Information**

3.1 A new section entitled "Summary" has been added into the Prospectus, to reflect the addition of a summary as required by Article 7 of the Prospectus Regulation. Please see pages 1 to 7 of the Prospectus.